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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,269

Friday June 26 1987

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Tall storeys of
the Windy
City, Page 24

World news Business summary

US moves warships towards the Gulf

Three US warships moved towards the Gulf to reinforce American presence there following President Reagan's decision to give more protection to Kuwaiti ships. Page 4

Henkel in FF 2bn bid for French company

HENKEL, West German specialty chemicals and detergent group, has reached agreement to take over Lesieur-Cotelle, French washing and detergent company, for FF 2bn (\$325.5m). The price Henkel is to pay for the company is 39 times its 1986 profits of FF 1.35m. Page 25

Golden Temple raid

Hundreds of police raided the Golden Temple in Amritsar to prevent extremists proclaiming a separatist Sikh government. Page 4

Cuban secrets

President Fidel Castro of Cuba said measures had been taken to guard Cuba's military secrets following the defection to the US of a leading air force general.

Waldheim audience

The Pope received Austrian President Kurt Waldheim in a private audience despite widespread Jewish outrage and protests by former concentration camp inmates outside the Vatican. Page 2

Barcelona bomb

A police chief and six other people were slightly hurt when a home-made bomb exploded at a tax office in a Barcelona suburb, hours before suspected members of a Catalan separatist group were to appear in court.

Swoop on squatters

Eight hundred South African troops and police raided a squatter camp outside Cape Town and arrested 110 black people in a "crime prevention operation," police said.

Acid rain plan

Dutch Environment Minister Ed Nijpels called for a Europe-wide environmental plan linking industry and governments in a campaign against acid rain.

French flight chaos

A 24-hour strike by French air traffic controllers plunged European flights to and from Paris into chaos.

Disobedience threat

Sugar plantation owners threatened to launch a civil disobedience campaign in the central Philippines if President Corason Aquino pushed through sweeping land reforms.

Marine assault

Young Americans were losing moral fibre and patriotism because of flag-burning protests, Watergate, working mothers and lack of religion in public schools, said Gen P. X. Kelley, retiring head of the Marine Corps.

Locusts on march

Locusts have escaped from their usual breeding grounds in north-east Africa and threaten crops from the Atlantic to Arabia, the Food and Agriculture Organisation said.

Kidnap contact

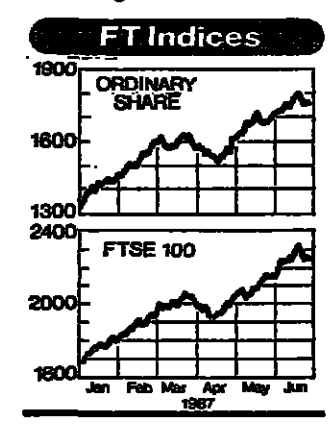
The US had been in contact with Syria concerning the kidnapping of American journalist Charles Glass in Lebanon, a senior American official said.

Rock music detente

An East German newspaper published a letter from Communist leader Erich Honecker thanking a West German rock star for sending him a leather jacket and enclosing a horn in return. In his youth, Honecker was a drummer in a Socialist band.

Manila blast

A hand grenade exploded outside the residence in Manila of leading Philippine churchman Cardinal Jaime Sin, injuring two passers-by.



LONDON: Sterling's dull performance and Argyl Group's big rights issue conspired to weaken equity prices. Gilt edged. The FTSE 100 index fell 6.8 to 2,277.2 and the FT Ordinary index lost 0.9 to 1,772.5. Details Page 44

STERLING closed in New York at \$1.6135. It fell in London to \$1.6125 (\$1.6215); to DM 2.9475 (DM 2.9550); to SF 2.4475 (SF 2.4500); to FF 9.8375 (FF 9.8625); but rose to Y236.00 (Y235.00). The pound's exchange rate index fell 0.1 to 72.2. Page 37

DOLLAR closed in New York at DM 1.8295; SF 1.5190; FF 6.1050 and Y148.25. It rose in London to DM 1.8280 (DM 1.8225); to Y148.3 (Y145.0); to SF 1.5185 (SF 1.5110); and to FF 6.10 (FF 6.0825). On Bank of England figures the dollar's exchange rate index rose 0.2 to 102.2. Page 37

GOLD fell \$1.00 on the London bullion market to close at \$441.00. It also fell in Zurich to \$440.75 (\$441.55). Page 36

TOKYO: A resurgence in high technology issues extended share price gains. The Nikkei average closed up 138.60 at 25,031.35. Page 46

LE MATIN, leading French Socialist daily newspaper, has been rescued from bankruptcy by a survival plan put together by a group of senior journalists at the paper and backed by readers, other publications and some of France's leading financial figures. Page 3

EC COMMISSION President Jacques Delors called on the heads of state and government of the Community to set clear guidelines for future financing and agricultural reforms at next week's summit, to avoid an imminent financial crisis.

SAAB-SCANIA, Swedish automobile and aerospace group, reported a 15.5 per cent drop in profits in the first four months of 1987, mainly because of lower profits in its car division caused by the dollar's decline. Page 25

DAINIPPON INK and Chemicals, large Japanese chemicals group which has been expanding aggressively in the US, launched an unexpected offer of \$52.50 a share, or about \$480m, for control of Reichhold Chemicals. Page 25

FECSA, Spanish electrical utility which is negotiating with foreign and Spanish banks in order to ease a \$5bn debt burden, reported losses of Pta 12.7bn (\$100m) for 1986, with deferred costs of Pta 22.8bn. Page 27

STERN DIAMOND Organisation, South African retail jewellery chain which has just been acquired by British interests, returned to profit in the year to March and expects a further profit advance in the current financial year. Page 26

Gorbachev unveils 'revolutionary' economic reform

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday outlined to the Communist Party Central Committee in Moscow his plan to reform completely the Soviet economy.

The meeting is seen as crucial to the introduction of radical change in the economy following the failure of piecemeal economic reforms to have much impact during Mr Gorbachev's first two years in office.

"Taking our economy out of the pre-crisis situation in which it has found itself calls for in depth, truly revolutionary transformations," Mr Gorbachev told the 307 members of the central committee, which includes all top Soviet officials.

The reforms outlined by Mr Gorbachev would reduce central control of the economy, boost the independence of enterprises and leave many prices to be determined by wholesale trade rather than by fiat from Moscow.

In his speech, Mr Gorbachev gives for the first time the outline of a coherent strategy for economic reform. This contrasts with the reforms since 1985 under which enterprises were allowed greater inde-

pendence but still found their basic inputs and outputs controlled by Moscow.

Nevertheless, the Soviet leader said the economy was showing signs of slow improvement, with industrial output up 4.4 per cent and agriculture 3 per cent in 1986 and 1987.

Mr Gorbachev said change had not been sufficiently drastic. He appears to have taken to heart the views of economists and plant managers, expressed with increasing openness in the past six months, that half a reform would be worse than none at all because conflicting principles of economic management would cause chaos in the factories.

He also said the economic changes could be carried through only if there was greater democracy in the Soviet Union and in the Communist Party itself.

A special conference of the Communist Party is to be called on June 28 next year to consider the progress of economic and political reorganisation since 1985.

The central economic bodies in the Soviet Union, such as Gosplan and the ministries, are, in general, opposed to such radical reforms as Mr Gorbachev is proposing, but they are likely to be welcomed by the provincial party leaders who make up almost a third of the central committee.

Mr Gorbachev has also strengthened his position in the past six months by the greater freedom of expression in the press and the increasingly sharp attacks on the top economic administration by economists and journalists.

He said he believed little had been accomplished yet. "We are actually only on the first wave of restructuring. This wave has sent ripples through stagnant waters."

Mr Gorbachev pointed to examples illustrating the lack of organisation in the running of the Soviet Union, and mentioned in particular "the violation of Soviet air space by the West German sports plane and its landing in Moscow. This is an unprecedented occurrence from all points of view."

He also told the central committee that an organisation might have to be established to combat corruption and abuse of office but he did not elaborate.

Threat of violence hangs over march in S. Korea

By Maggie Ford in Seoul

THE THREAT of dangerous confrontation, possibly leading to military intervention and destroying hopes for democratic change, yesterday hung over South Korea.

As Opposition leaders decided to go ahead with a major peace march today which the Government condemned as subversive, concern grew that students dedicated to revolution could take over the peaceful protest.

The Government, however, issued a series of conciliatory statements which went some way to meeting the Opposition's demands. Having eventually released Mr Kim Dae Jung, co-leader of the main Opposition party from house arrest, it promised to free almost all other detainees arrested since the disturbances began by next Monday.

Mr Kim said that he was ready to co-operate with the Chun Government in exchange for greater democracy. Mr Kim Young Sam, the other co-leader of the party, met President Chun on Wednesday for talks he later described as a failure.

The ruling Democratic Justice Party confirmed yesterday, that President Chun had agreed to the resumption of talks which he called off in April.

In an unusually conciliatory statement, the national police chief asked South Koreans to refrain from involving themselves in today's demonstration, which came at a time when hopes were rising on the basis of pan-national efforts to stabilise the situation.

Adopting an unusual non-inflammatory tone, he apportioned blame for the death of a combat policeman last week, which has aroused anger in the forces, not to the usual anti-communist subversive elements, but to the hooligans people believe were responsible.

Strong concern was expressed yesterday in newspaper editorials about radical students whom analysts believe are becoming more influential as the crisis continues without firm agreement.

The influential Dong Ah Ilbo told parents that it was their responsibility to warn student children about the dangers of encouraging Communist North Korea.

Meanwhile, Pyongyang radio said that it had no intention of involving itself in military activity against the South and urged the Opposition to continue the struggle against Mr Chun's regime.

A US official delivered a strong warning to the South Korean military yesterday not to intervene in the political situation.

Barclays wins California tax test case

BY LOUISE KEHOE IN SAN FRANCISCO

CALIFORNIA's controversial unitary tax system, under which it has taxed the worldwide revenues of multinational companies with operations in the state, has been ruled "unconstitutional" by a Sacramento county court.

The ruling, which takes effect next week, could clear the way for hundreds of non-US companies to claim tax refunds totalling hundreds of millions of dollars.

Although California's legislature last year passed a bill that effectively repeals unitary tax, the change does not take effect until 1988. The court's ruling would make the tax change retroactive.

The ruling came in a case involving Barclays Bank of California and Barclays Bank International, which challenged the tax system and claimed that the bank had been improperly charged more than \$250,000 under the unitary tax system in 1977.

The case could have significant implications for many international companies with operations in the state. Several legal challenges have been mounted against unitary tax and many major US and foreign corporations have refused to pay unitary tax, pending the outcome of their appeals.

British and Japanese companies, including Barclays, led the effort to win repeal of California's unitary tax, which involves several years of lobbying in Sacramento and in Washington.

At issue are millions of dollars in back taxes due from the multinational corporations and additional millions in taxes paid since the tax system was instituted in 1969.

California is estimated to have levied about \$500m a year in unitary taxes in recent years. The state could now be forced to rebate significant portions of those taxes.

The state Franchise Tax Board said yesterday that it planned to appeal the court ruling on unitary tax.

Ms Joanne Garvey, a San Francisco attorney who represented Barclays, said the chances of the ruling being overturned by an appeal court were small. But she said the case could take several years to resolve and might ultimately go to the US Supreme Court.

Ms Garvey said the Sacramento court's ruling was a "vital breakthrough" for foreign multinational businesses.

The state could owe Barclays "several million dollars" if the banking company uses for taxes paid in years other than 1977, Ms Garvey said. She stressed that Barclays' suit was intended to advance the cause of all foreign multinational businesses.

The case may also ultimately clear up uncertainties surrounding California's new tax system. The tax revisions passed last year offer multinational corporations the option to elect to be taxed only on their US earnings, but also establish an "election fee" to be paid to the state.

Debt relief urged for Third World

BY ANATOLE KALETSKY IN NEW YORK

SUBSTANTIAL debt relief for Third World countries, including the partial forgiveness of past bank debts, will be required to restore international financial equilibrium and to re-establish the creditworthiness of the developing world.

This controversial viewpoint was put forward yesterday by Mr Henry Kaufman, the influential chief economist of Salomon Brothers, in one of the first proposals for explicit cancellation of Third World bank debts to be aired publicly by a senior figure from the US financial establishment.

Mr Kaufman, who has been broadly supportive of the US authorities' debt strategy in the past, told a EuroMoney conference in

New York that current policies had resulted in "no significant improvement in the creditworthiness of developing countries". It was now time to recognise that the Third World faced a problem of solvency - and not just of liquidity, as assumed by the US Treasury's Baker Plan.

This meant that the basic assumptions of the Baker Plan were no longer valid.

Mr Kaufman proposed an alternative approach, based on a new framework of debt relief, accompanied by monitoring of more realistic economic policy goals by the

Continued on Page 24
Private funding for Africa, Page 4

Hungary brings younger men to aid of economy

BY LESLIE COLLIT IN BERLIN

THE HUNGARIAN leadership under Mr Janos Kadar was reshuffled yesterday in a long awaited attempt to overcome a deteriorating economic situation through the promotion of younger party officials.

Mr Karoly Grosz, 57, one of the contenders to succeed the 75-year-old Mr Kadar as general-secretary of the Communist Party, was appointed Prime Minister, replacing Mr Gyorgy Lazar. The appointment reflected the growing responsibility which the Government is to be given for running the economy.

Another main contender to succeed Mr Kadar, Mr Janos Berecz, a personal rival of Mr Grosz's, was moved into the ruling Political Committee. He remains chairman of the Central Committee, responsible for the key post of "agitation and propaganda."

Hungarian officials said the rejuvenated leadership would help implement new economic reforms which were expected to be announced by the party next month. Economic reform is urgently needed.

Hungary suffered a \$1.4bn current account deficit last year, three times the 1985 figure. Little improvement was shown in the first five months of this year, which saw a hard currency trade deficit of \$400m. The country's net hard currency debt rose from \$5.1bn at the end of 1985 to \$7.8bn last year.

October's anniversary of the 1956 Hungarian uprising, Mr Grosz said in a radio interview that virtually all his workmates and friends had taken part in the uprising and that he felt "very lonely in those weeks."

In other moves, Mr Lazar was chosen to replace Mr Karoly Nemeth in the not very influential post of Deputy General-Secretary to Mr Kadar. In turn Mr Nemeth moved into the presidency previously occupied by the ailing Mr Pal Losonczi, who retired.

The senior party official in charge of the economy, Mr Ferenc Havasi, was appointed to the job Mr Grosz previously held, that of Budapest party secretary. Mr Havasi was in charge of the economy when it faltered in 1983 and fell into deeper trouble last year. He was replaced yesterday by Mr Miklos Nemeth who worked under him.

The controversial Mr Grosz was relegated more than once to the provinces by a mistrustful party. Each time, though, he distinguished himself and was recalled to Budapest for advancement.

Airline reforms threatened by crisis over Gibraltar

BY TIM DICKSON IN LUXEMBOURG

A MAJOR NEW European Community crisis erupted in Luxembourg last night when Spain blocked a key package of airline reforms over the issue of Gibraltar.

All other obstacles to the deal had been removed during tense and sometimes bitter negotiations on Wednesday and early yesterday morning. But the agreement, which under Community voting rules has to be unanimously agreed by all member states, is now in danger of falling apart.

Mr Abel Caballero, Spain's Transport Minister, insisted throughout the negotiations that the British Territory's airport should be exempted from the scope of the directive on the grounds that to do otherwise might prejudice the outcome of bilateral negotiations between London and Madrid on aspects of

the future of Gibraltar (including air services) since 1985.

A clearly exasperated Mr Paul Channon, Britain's Transport Minister, responded last night that this was a "wholly unreasonable demand" and that nothing in the agreement would change the status of the airport.

Spain's action was immediately deplored by the European Commission as a possibly fatal setback for the cause of air liberalisation, although Community officials pointed out that the consequences could go deeper.

Besides raising the previously dormant question of the disputed status of the British territory at European level for the first time, yesterday's developments highlight the increasing difficulties in Brussels of achieving a barrier-free internal market by 1992.

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Hong Kong Governor Sir David Wilson: trying to bridge a semantic gap, Page 24

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SINGLE
WORD CAN
SPELL
CONFUSION

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ON JUNE 1ST OUR SPACEMEN WENT INTO BUSINESS

June 1st saw the start of the government's new Use Classes Order.

This changes the uses to which companies may put their premises.

Perhaps the most significant change is the amalgamation of the former 'Light Industrial' and 'Office' uses to form a single class.

This new class reflects the changing needs of today's business. Traditional distinctions are disappearing. The commercial property world has moved towards a single new classification:

Business Space:

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EUROPEAN NEWS

Tim Dickson in Luxembourg examines yesterday's EC transport meeting

Air reforms take off into the clouds

"It is not going to revolutionise European air transport and nobody should pretend that it will," Mr Peter Sutherland, EC Competition Commissioner in Luxembourg yesterday.

"The overall result will be the creation of considerable new benefits for the Community air traveller," Mr Stanley Clinton Davis, EC Transport Commissioner in Luxembourg yesterday.

With the long-awaited package of EC air reforms grounded yesterday on the single rock of Gibraltar, the question of working out the practical implications of the deal if Britain and Spain could settle their differences began in earnest.

Given that the negotiations had to win the unanimous approval of 12 member states, nobody was disguising the fact that major concessions have had

to be made over the past 12 months (and especially in the last few weeks) to win the support of the more reluctant member states.

Thus Denmark, Spain, Greece and Italy have been granted significant exemptions to block the entry of new inter-European services to some of their key airports, including such popular destinations as Venice, Athens, and Malaga.

The package, moreover, does not remove the vast edifice of costly bilateral government-to-government agreements which have enabled the airlines to share capacity and revenues in a blatantly anti-competitive way. It acknowledges their existence but essentially lays down new rules which they will have to observe and which are designed to get rid of the worst excesses.

The new deal, for example, will limit the power of governments to block proposals for lower fares. According to Mr Clinton Davis, about two-thirds of the discount fares currently available on flights between member-countries could be cut by an extra 10 or 20 per cent.

Cheap fares on off-peak flights would be allowed without restrictions such as the mandatory Saturday night stay-over though there would be a 20-50 per cent cancellation charge. The veto powers which governments can use to block economy fares will disappear and bilateral fare fixing between airlines will be forbidden.

The decisions on market access — the section of the package which ultimately caused the most difficulties — should provide the opportunity

for more services, particularly between the main hub airports and smaller regional airports, and also on the busiest routes (though the list of exemptions will be a limiting factor). The most progress was made unexpectedly on the issue of fifth freedom, that is to say the right to set down and pick up passengers at one destination before flying on to another.

This has been granted all round provided the two airports concerned are not both "hubs" — Ireland and Portugal have been granted limited rights to fly hub to hub which observers say could open up the opportunity for more new airlines.

As for the traveller much depends on whether the new competition will bring fares down on these routes.

These new opportunities, however, will all be circumscribed by the continuation of capacity and revenue-sharing agreements between member states.

For the first two years after the package comes into effect (October 1 all being well) a government will only be able to intervene if the market share of its airlines falls below 45 per cent (of all routes), compared with the 50/50 arrangements which are not uncommon at the moment. This will drop to 40 per cent for the third year.

The Commission was also pointing out yesterday that it will in future have powers to launch dawn raids, investigate and ultimately fine, airlines that do not obey the new rules. At the moment air transport is specifically excluded from such actions.

Volkswagen seeks court freeze on broker's assets

BY HAIG SIMONIAN IN FRANKFURT

VOLKSWAGEN has taken legal steps in Switzerland to freeze the assets of Mr Joachim Schmidt, the Frankfurt foreign exchange broker who is being sought by state prosecutors in connection with a DM 473m (£160m) foreign exchange fraud at the company.

VW has taken out four summonses against Mr Schmidt for payments totalling DM 40m. The company has also taken legal action to have certain identified assets frozen as "an insurance," according to its spokesman Mr Ortwin Witzel.

They include the accounts of companies which belong or belonged to Mr Schmidt, as well as bank accounts in his or nominees' names, said Mr Christian Craseman, the local prosecutor in Meilen, near Zurich.

Mr Witzel said the DM 40m was a partial figure and said VW had taken steps to freeze Mr Schmidt's assets in Liechtenstein and West Germany.

The freezing of Mr Schmidt's Swiss assets is only temporary and VW will have to launch a civil action to recover any moneys. According to the official journal of the canton of Zurich, the company has taken out four orders in the local court at Meilen. Mr Witzel confirmed that VW may seek to take action against any other assets of Mr Schmidt's it might identify.

Mr Craseman is meanwhile co-operating with the state prosecutors office in Braunschweig, near VW's headquarters at Wolfsburg, in the criminal investigation into the fraud.

He confirmed the authorities were still hoping to find out where Mr Schmidt was.

Waldheim sees Pope amid tight security

By John Wyles in Rome

DR KURT WALDHEIM'S much criticised official visit to the Vatican, his first as President of Austria to a Western European capital, passed off undisturbed yesterday by dignified protests and huge security measures.

Wearing his sash of office over the black mourning dress which is traditional for such occasions, the former UN Secretary General now accused of links with Nazi war crimes and of trying to cover up his service as an officer in Hitler's Wehrmacht, spent 35 minutes in conversation with Pope John Paul II in the latter's private library.

Joined later by his wife, Mr Alois Mock, the Austrian Foreign Minister, and other members of his entourage, Dr Waldheim then listened to a 12 minute speech of welcome from the Pope who, speaking in German, dwelt at length on Austria's contributions to the maintenance of peace and on its generous shelter of refugees.

The Pope looked back "with joy" on his first visit to Austria in 1983 and "with hope" to his second next year, which will be at the invitation of the Austrian bishops.

Closed square

Meanwhile, in the hot sunshine outside, up to 200 protestors found themselves excluded from St Peter's Square which, in a very unusual security move, had been closed off since dawn.

Television cameras focused on Rabbi Avi Weiss from New York and two colleagues who were dressed in concentration camp uniforms, while other representatives of the Italian Jewish Community paraded around the entrance to the square with black placards bearing the names painted in yellow of Nazi concentration camps.

Elsewhere, one young man carried a wooden gallows and a placard saying, "Waldheim offers the cross." One demonstrator claimed afterwards that they had scored a small success in forcing Dr Waldheim and his party to enter the Vatican "by the back door" and not down the main access road, the Via della Conciliazione.

The only slip-up to affect the demonstration had occurred the night before when a smoke bomb went off prematurely in the hotel room close to the Vatican taken by Ms Beate Klarsfeld, the 49-year-old Berlin born "Nazi-hunter" who played a key role in locating Klaus Barbie in Bolivia. She had planned to release the black smoke today as "a contrast to the white smoke which symbolises a pope's election," she said.

After delivering a 15-minute reply to the Pope's speech of welcome, dwelling on hopes for peace and an end to the divisions in Europe, Dr Waldheim exchanged presents with the Pope: his a crystal glass vase, the pontiff's a madonna and child in black Murano glass.

Then according to the dictates of protocol, the President was introduced by Cardinal Casaroli, the Vatican Secretary of State, to the accredited diplomatic corps — on this occasion somewhat abbreviated.

Missing envoy

American displeasure with Dr Waldheim — marked until now by denying him entry to the US — was further underlined by the absence of its ambassador to the Holy See, Mr Frank Shakespeare, who was represented by the embassy's number three, Costa Rica, Honduras and the Principality of Monaco had officially announced that they would not be present, while other absentees — not all for reasons of diplomatic protest — included the Italian ambassador, as well as the British, the Belgian and the Dutch.

Dr Waldheim's final act before completing his landmark visit — to be followed shortly by an official journey to Jordan — was a walk down into the Basilica for prayer on the tomb of St Peter.

Kadar clears out the top drawer

BY JUDY DEMPSEY IN VIENNA

IN A broad sweep Hungary's party leader, Mr Janos Kadar, has replaced the country's President, appointed a new Prime Minister, promoted new faces to the politburo and named a new party boss for the capital Budapest.

The two most interesting names in the reshuffles are those of Mr Karoly Grosz and Mr Janos Berecz. Both men, aged 57, have their eyes firmly on the leadership when the almost immortal Mr Kadar relinquishes power.

By promoting these two individuals particularly, Mr Kadar has demonstrated once again his ability to maintain a balance in the politburo and to postpone the nagging question of the succession. Hungary is going through a period of economic depression and political uncertainty, coupled with low morale in the country. Imports of goods have to be taken about the future direction of the economy.

The question is not about reversing the reforms: it is now sharply focused on the pace and direction of the reforms which, radical economists in Hungary argue, need to be accompanied by important changes in the political arena. The promotion of both Mr Berecz and Mr Grosz suggests that tough decisions in the economy might be made in the future but not at the expense of weakening the role of the party.

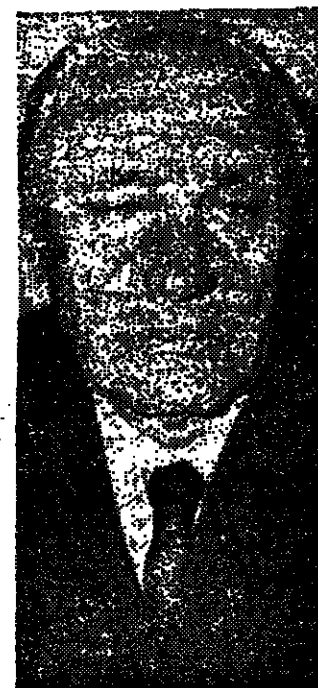
Both men are tough party apparatchiks; they rarely share the same platform on public occasions. "They keep their distance from one another," was how one Hungarian journalist put it, clearly hinting that both men stand in the way of each other in succeeding Mr Kadar.

Karoly Grosz was born in Miskolc in 1930, the son of a printer who was a member of the then illegal Communist party. That year, his father organised a strike and was sent to prison. The young Karoly took up his father's trade and politics and joined the party in 1945.

During the Hungarian uprising of 1956, Mr Grosz remained loyal to the party, for which he was rewarded. In 1961 he was appointed secretary of Hungarian radio and television and later made deputy head, then head, of the agitprop department of the central committee from 1979.

But then his political fortunes changed. He fell out with Mr Kadar and was sent to run the party organisation in Miskolc. By December 1984 he was back in Budapest running the party organisation.

His early months in the capital showed him as a tough, no-nonsense politician who has little patience with liberal intellectuals. He is now considered a pragmatist, but not a popular one; he is thought to be tough enough as the new Prime Minister to push through structural changes in the economy. "If Grosz is leader-



Mr Kadar: political balancing act

Mr Berecz has always been careful to nurture his political career. He has excellent party credentials. He was head of the Communist Youth Movement of the university in Budapest from 1959 to 1963, did a stint at the academy of social sciences of the CPSU central committee in Moscow from 1963 to 1966 and returned to Budapest as secretary of the party committee of the Foreign Ministry, later becoming head of the central committee's foreign affairs department.

He edited the Communist party daily, Nepszabadsag, from 1980 to 1985, never deviating from his view as political writer, journalist and commentator that the 1956 uprising was a "counter-revolution."

During the party congress in 1985, he was promoted to chairman of the propaganda department of the central committee, a post which did not endear him to the writers' union with whom he had a serious row late last year. Part of his power base lies in the influential central committee, particularly among those party members who want to protect the leading role of the party especially in cultural and ideological matters.

Review of N-safety proposed

By George Graham in Paris and Max Wilkinson in London

NUCLEAR SAFETY programmes in the West should be reappraised in the light of last year's disaster at the Chernobyl nuclear reactor in the Soviet Union, a report from the Paris-based Nuclear Energy Agency has recommended.

The report concludes, however, that the disaster brought to light no new previously unknown nuclear safety problems and that no immediate modifications or regulatory changes are needed in Western countries.

The agency, an offshoot of the Organisation for Economic Co-operation and Development, says that Soviet designers knew that the RBMK type of nuclear reactor was potentially dangerous. Measures now being taken to improve the RBMK's safety should improve stability and control, but are difficult to judge without more detailed information. The RBMK is a type of graphite reactor not used in OECD member countries.

The report says the chain of events which the Soviet Union believes caused the disaster is plausible, and that the operators carrying out an experiment on the night of the accident clearly did not understand the potential risks.

A separate report by the NEA yesterday suggests that the Chernobyl accident has had relatively little effect on the plans of developed countries for nuclear energy.

Its 1987 report on "Electricity, Nuclear Power and Fuel Cycle Data in OECD Countries," it says: "In only one country does it appear that planned expansion has been affected specifically by the Chernobyl accident."

The report shows that in 1986, nuclear energy accounted for 22 per cent of total electricity generated in OECD countries. The amount of nuclear power generated last year was 8 per cent higher than in 1985. By 1990, it expects the amount to have increased by a further 25 per cent. It is then expected to account for 24 per cent of electricity generated in the OECD.

The country with the highest nuclear electricity will be France, with 76 per cent, followed by Belgium with 61 per cent and Sweden with 47 per cent. By the year 2005, the agency expects the total amount of electricity generated will be about twice as much as last year, but it will still only account for a little over a quarter of electricity produced.

By 2005, the agency predicts 175,000MW of additional nuclear power capacity will have come into operation compared with 223,800MW operating last year. This implies that between 170 and 180 new reactors will be developed world.

Rogers warns of arms curb 'rhetoric'

GENERAL Bernard Rogers, the retiring military commander of Nato, departed the US European Command yesterday with a warning against "seductive rhetoric" in Soviet arms control offers. AP reports from Stuttgart.

In a ceremony transferring

the command to General John Galvin, Gen Rogers said the West should not relax its vigilance in the face of increasing Warsaw Pact military strength.

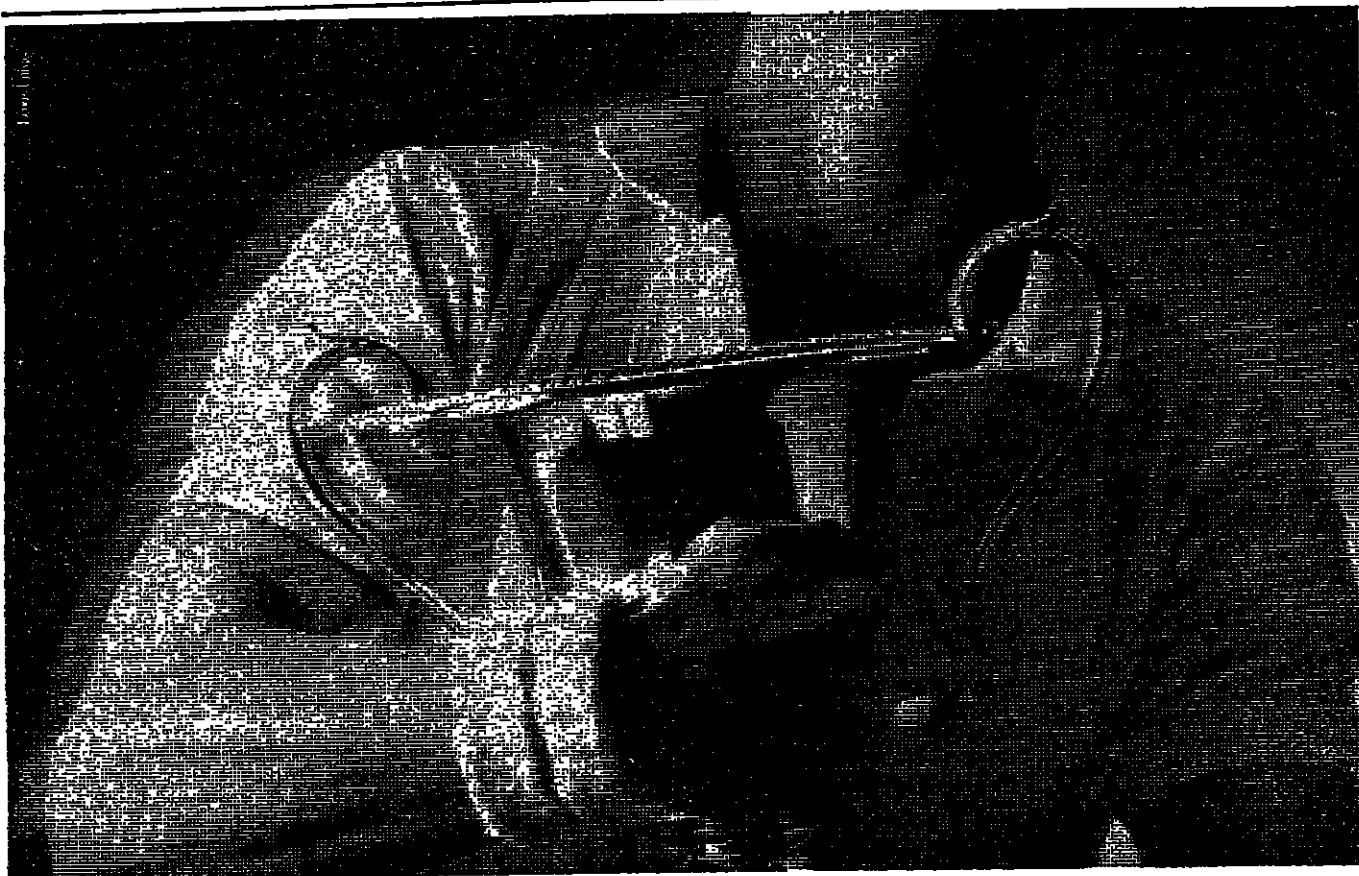
"Although the Soviet leadership rhetoric on the Soviet leader-ship falls on many receptive and gullible ears in the West, we have yet to see any reduction

in Soviet military capabilities or any modifications in the expansionist Soviet policy," Gen Rogers said.

"We need to ask ourselves if the Soviet interest in the current arms reduction negotiations is but merely an effort to reduce the credibility of our deterrence while leaving relatively

unaffected its own capability to threaten Western Europe."

Gen Galvin said the US European Command represented the "central focus of American foreign policy. We are committed here — physically committed — to the defence of Western Europe and thereby to the defence of the US," he said.



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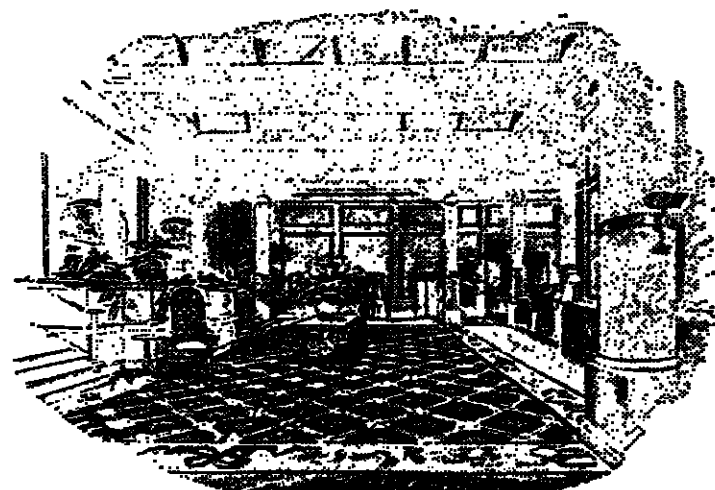
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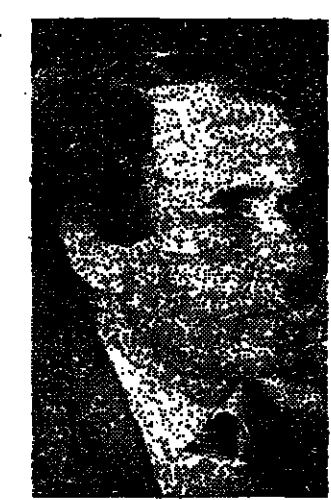
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EUROPEAN NEWS

Top Communist quits French party leadership

BY PAUL BETTS IN PARIS

THE FRENCH Communist Party has suffered another top level defection with the resignation of Mr Pierre Juquin, leader of the reformist faction, from the party's central committee.



Mr Juquin: reformist

His departure highlights the increasing divisions inside the party, which has suffered a steady electoral decline during the past few years, gaining barely 10 per cent of the national vote in last year's parliamentary elections after commanding more than 20 per cent a decade ago.

The reformists have also sought to reduce the party's traditional dependence on Moscow and adapt policies to the changing structures of French society. Without a profound transformation, the party had little hope of halting its alarming electoral decline, Mr Juquin has warned on several occasions. But the Communist's hard-line leadership and its secretary-general, Mr Georges Marchais, have systematically refused to make any concessions to the reformists. Indeed, they have repeatedly sought to quash the dissidents by refusing any dialogue with them and accusing them of undermining the movement. Moreover, the leadership has also attempted to dismiss the re-

formists as a small group of discontented intellectuals. But Mr Juquin yesterday claimed that they had the support of about 50 per cent of Communist voters in France. He also indicated that he was planning to pursue his crusade to change French Communist mentalities.

Indeed, Mr Juquin has not ruled out the possibility of standing as an independent reformist Communist candidate in next year's French presidential elections, challenging the party's official candidate, Mr Andre Lajoinie, who is currently head of the Communist parliamentary group in the National Assembly.

Mr Juquin is the third leading reformist member of the party to resign from the central committee this year, after Mr Claude Poperen, a historic figure of the party, and Mr Marcel Rigout, a former Communist minister in the French left-wing coalition government between 1981-84.

Mr Marchais reacted bluntly to Mr Juquin's resignation, stating that "Pierre Juquin represents nothing. Relations between them had become particularly bitter. The Communist party daily newspaper, L'Humanite, also said yesterday that Mr Juquin "no longer represented anything in the PCF."

But the internal split in the party is clearly proving deeply embarrassing for the hardline leadership whose policies have now come under public criticism from a growing number of disenchanted party members. Even though Mr Juquin is unlikely at this stage to win more than 1 or 2 per cent in the first round of the presidential elections, should he eventually decide to stand, he would undoubtedly damage even further the performance of Mr Lajoinie, who is not expected to gain much better than 7 per cent.

Indeed, the extreme right-wing National Front now seems to have clearly outdistanced the Communist party as the country's fourth political force after the Socialists, the neo-Gaullist RPR and the centrist UDF coalition. Mr Jean Marie Le Pen, the National Front leader, is currently expected to win about 11 per cent or more of the national vote in the first round of the presidential election, taking not only from the right but also from the Communists.

Bankruptcy threat lifted from Le Matin newspaper

BY GEORGE GRAHAM IN PARIS

LE MATIN, France's leading Socialist daily newspaper, has been rescued from bankruptcy.

The Paris commercial court yesterday accepted a survival plan put together by a group of ten senior Le Matin journalists, backed by readers, other publications and some of France's leading financial figures.

The group will buy the title and assets of Le Matin, which filed for bankruptcy last month, for a FFr 2m (£204,000) down payment and a further FFr 3m to be paid by the end of the year.

The rescue of Le Matin.

despite its Socialist editorial line, has aroused a surprising unity, with the right-wing Prime Minister, Mr Jacques Chirac, personally intervening to ensure early payment of a state subsidy due to go to the newspaper later in the year. Advertisers and rival newspapers have also lent their support to the operation.

The ten-year-old newspaper had been losing FFr 6m a month after a steady decline in circulation, and had to file for bankruptcy when journalists and print workers went on strike to force payment of April salaries.

Soviet reforms forecast to reduce drug abuse

BY CHRISTIAN TYLER IN VIENNA

THE SOVIET reform programme known as perestroika lead to a reduction in drug-taking, according to Mr Alexei Moskvichev, a Soviet deputy Health Minister.

Although the country had a much smaller drug problem than others, it was "a primary task" of the authorities to prevent and reduce the proliferation of drug abuse, he said yesterday. This would be achieved by moral, cultural and physical measures stressing "the development of the human personality."

The minister said there were 49,000 registered drug addicts in the Soviet Union, including those who had given up the habit. He gave no estimate of trends or the true incidence of

drug taking but claimed no case of cocaine, heroin or LSD abuse had occurred in the last 10 to 15 years.

Asked about drug taking among Russian troops in Afghanistan, Mr Moskvichev claimed any impression of a general problem was "far-fetched," although he admitted there might be individual cases.

"I don't know why this question occurs again and again," he said at a press briefing during a UN conference on the worldwide drugs problem. I personally know a number of young soldiers returning from Afghanistan, and believe me, they become among the best students in our colleges."

Most drug use in the Soviet Union was confined to cannabis, cultivated mainly in the north Caucasus and southern Ukraine and parts of the Soviet Far East.

Mr Moskvichev did not accept the description of the Soviet Union as a transit country for narcotics produced in Afghanistan for sale in the West. He claimed that no Afghan narcotics penetrated the Soviet border. Small amounts of heroin and cocaine were occasionally found on transit passengers.

Last November, Soviet customs officials discovered 1,200 kg of hashish in a container load of raisins from Afghanistan destined for Hamburg in West Germany. The container was being transported across the Soviet Union, according to a report by the international Customs Co-operation Council.

Godfrey Grima assesses the new Government's position in the light of last week's disturbances

Mood of violence gives way to shame in Malta

THE GROUNDSWELL of national reconciliation which Malta's new Prime Minister, Mr Eddie Fenech Adami, hoped to create following his electoral victory last month has now disintegrated in the violence which raged through the streets of Valletta on Friday.

The disturbances have put the newly elected Nationalist administration in a quandary: has the opposition Labour Party of Mr Carmelo Mifsud Bonnici proved that its writ holds even after being voted out of power? Or was this simply a protest rally which got out of hand?

Whatever the case, for an entire afternoon it appeared as though the Government, rather than the police, had been overrun.

For Mr Fenech Adami, who has now given responsibility for the police force to Army commander Col John Spiteri, the test of strength came before the administration, still in its first hundred days, had found its feet. As he spoke of the grim day's events in a nationwide televised address on Friday, Mr Fenech Adami left a lingering impression that the Government lacked the physical strength to defend itself from demonstrators who had patently commandeered the streets of the island's capital city.

Within the Labour camp, too, the feeling is one of embarrassment rather than jubilation. In a statement the

party blamed the Government's administrative moves, including the transfer of supporters from one government department to another, for the rising tension.

It was perhaps the relative calm which followed the election which made the sudden outbreak of violence so shocking, but it has served to point up the fact that any party believing it can govern this bitterly divided island without the consent of the other is burying its head in the sand.

No retribution

The point does not appear lost on the Prime Minister. "There has been too much discrimination in the past. We don't want to be vindictive with the other party. I myself have given a lead by not seeking retribution. National unity remains an uppermost goal with us but this is psychological process that takes time," he told the Financial Times days before Friday's violent events.

The Labour Party, which has yet to find its feet in the opposition after having governed for an uninterrupted 16 years, perhaps read too deeply into Mr Fenech Adami's initiatives, particularly the speed at which he laid down his foreign and domestic policy markers.

This raised suspicions that

the Government was flirting with the idea of making substantial shifts from the policies of neutrality and the day state created during Labour's years in power. Any moves which show the West to be gaining an upper hand or the island's powerful Roman Catholic Church to be regaining its dominant posture ring alarm bells with the Labour Party.

Since coming to power on May 12 Mr Fenech Adami has demonstrated his intent to forge closer links for Malta with the US and Western Europe. A quintessential European Christian Democrat, he denies that this in any way imperils Malta's neutrality.

"I'm not about to sign a defence agreement with the US. We're banned by the constitution from joining Nato and we're not prepared to grant berthing facilities to naval fleets. At the same time I don't think much of the treaty signed by the previous government with the Soviet Union in 1981 either. I don't think it amounts to much," he insists.

He asserts his pro American policies are directed at wooing an increased flow of US investments and ship repair work for the island's drydocks. This, he says, was impossible to achieve in the climate which prevailed in past years.

While Western Europe has been asked to guarantee Malta's safety, the church finds the



Mr Fenech Adami: 'National unity the main goal'

moves from the government's direction highly encouraging.

Privileges rescinded in past years are being returned wholesale. State claims over seized church properties were abandoned by the prime minister, a lawyer by profession, in a blaze of media coverage. "I am not about to set up a confessional government if that is what you mean," answers Mr Fenech Adami when asked whether the church is influencing his decisions. The church will be allowed to fulfil its mission

without state harassment, but it will also be expected to step up its social commitment and church schools will still be obliged to provide free education to some 18,000 students.

He also discredits suggestions his Government could find itself playing a subservient role to governments in Europe or the US. "Our independence is something which will be safeguarded by all our policies."

"The thrust of our foreign policy," asserts Mr Fenech Adami, "is credibility. I don't want Malta to gravitate in the orbit of one country or another. I don't want the island to play an international role disproportionate to its size. I don't want to lose friends, I want to make new ones."

Libyan delegation

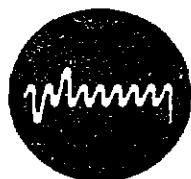
This position was spelt out clearly, he says, to a visiting Libyan Government delegation recently. A more pressing issue for Mr Fenech Adami is the island's sluggish economy, for years dogged by stagnant export receipts and ballooning unemployment, reputed to have overshot 18 per cent mark.

He labours under no illusion that EEC entry will solve these problems. "Negotiating the right conditions is going to take time and as yet we don't have a schedule for filing an application."

Neither does the Prime Minister have much time for industrialists clamouring for a currency devaluation to spur the export of semi-manufactured goods, currently standing at £m180m (£101m) a year. A devaluation of the Maltese pound would worsen Malta's imports bill, now standing at £m347m, and would induce trade unions to file hefty cost of living rise claims.

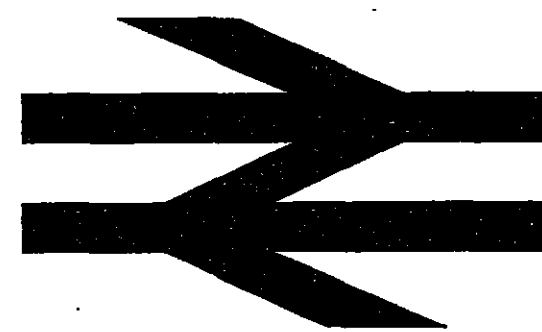
"Very probably we shall continue to subsidise the exchange rate for foreign tour operators and certain exporters where we have actually had a devaluation of 25 per cent." British tour operators have bolstered Malta's tourist receipts to a quarter of the island's total foreign exchange earnings and the universal hope is that no fresh outbreaks of violence will dash Malta's hope of attracting 1m holidaymakers a year by 1989.

Before too long the new government must come up with its own economic policies on how to drive the economy forward. It is a sign of the times that, inside the ornate sixteenth century Auberge de Castille which is the Government's headquarters, Mr Fenech Adami has given up his sumptuous office for a small nearby room which satisfies better his need for privacy. It is here that the strategy for putting Malta's political, economic and social house in order will be planned.

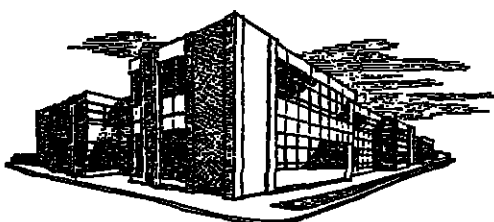


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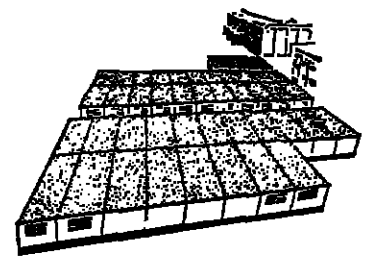
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OVERSEAS NEWS

Private funding for Africa under way

By Andrew Buckoke in Nairobi

AN INTERNATIONAL initiative to promote the private sector's role as an engine for development in sub-Saharan Africa appears to be bearing fruit. Seven Kenyan projects worth KSh 290m (£11m) will be among the first to receive funding as a result of assistance from the Africa Project Development Facility.

The advisory body was set up last year by the International Finance Corporation, African Development Bank and United Nations Development Programme to help African entrepreneurs develop private investment proposals acceptable to internal or external financiers. Formal agreement on funding for the first project is expected within a month.

Sir William Rhye, chief executive officer of the International Finance Corporation, the private sector arm of the World Bank, told a press conference in Nairobi yesterday that he hoped the facilities would be of real value to the private sector in Africa.

The new facility for sub-Saharan Africa, whose offices in Nairobi and Addis Ababa have only just been fully staffed, has already received 411 applications for assistance. Although it does not fund schemes itself, a range of project costs from \$500,000 to \$5m has been set. Mr Rhye said that lending might not consider this small, but IFC lending is limited to projects of around \$25m and over.

Mr Makrand Deheja, an IFC vice-president, says: "We cannot reach the private sector in Africa." He added that lending to local development banks had proved ineffective as a way to help smaller businesses as the development banks were often "too bureaucratic" and the entrepreneurs themselves did not know what to ask for.

It is hoped the facility can remedy this. It has so far received commitments of \$16.7m from the three founding agencies and 13 western countries including the US, Canada, Britain, France, West Germany and Japan. Its initial term is for four years from July 1986, but it expects to be able to start charging fees for its services by the third year.

A LONG WAR AND FALLING OIL PRICES PROMPT REFORMS TO RAISE THE STANDARD OF LIVING

Iraq moves to expand role of private sector

SOCIALIST Iraq is moving to expand the role of its private sector in an effort to stimulate productivity in its war-battered and heavily-indebted economy.

In a series of reforms which President Saddam Hussein has likened to those in some Communist states, Iraq plans to liberalise private investment and import regulations.

It is also considering the sale of some state assets to the public, officials and diplomats in Baghdad said.

The moves coincide with a major shake-up in the public sector aimed at raising productivity which has been dampened by a bloated bureaucracy, labour shortages, hard-currency shortages and stifling investment regulations.

Socialism has been a credo of the ruling Baath Party since it seized power in 1968 and state enterprises now account for at least 60 per cent of economic activity.

But state resources have been drained in recent years by falling world oil prices; the declining value of the dollar; and the almost seven-year war with Iran, thus prompting

a new look at the private sector's role.

"There must be a private sector within the socialist state and there must be what is called the mixed sector, both of which are important for the state and the people," Mr Hussein told industrialists earlier this month.

"The private sector should be boosted not only because it is needed in wartime, but also because of the long-term objectives gained by the society," he said.

Diplomats said the first move was to abolish a tax on private sector imports of raw materials, spare parts and other industrial inputs and to allocate more of the country's scarce hard-currency reserves to fund them.

Steps under consideration include the sale of some state factories and agricultural co-operatives to the public and the abolition of a ceiling on private sector investment, diplomats said.

"The goals are twofold - to increase productivity and the standard of living and to produce for import substitution to save hard currency," one diplomat said.

Philip Shehadi of Reuter reports from Baghdad on President Saddam Hussein's economic shake-up. By raising productivity and liberalising investment, he aims to ease the country's crippling debt problem.



1985 and \$9.7bn last year, diplomats estimated.

Shortages of imported dairy products, meat, electronic goods and coffee are common, Baghdad residents said.

Many civilian development projects have been frozen.

Those still going ahead include a \$1.5bn dam on the Zab River at Bekhme in north-eastern Iraq designed to control its flow into the Tigris and a \$1bn oil pipeline from the Kirkuk fields to the Saudi Arabian Red Sea port of Yanbu - both deemed essential to increase productivity and revenue.

Mr Hussein has said measures taken earlier this year to cut thousands of civil servants from government payrolls have already saved the state millions of dinars.

He has disbanded the General Federation of Trade Unions saying state workers no longer needed unions, a move diplomats said

would remove legal obstacles to further staff cuts throughout the state.

Mr Hussein has also decreed the promotion of blue-collar state workers to white-collar status to give them moral and material incentives to produce more.

Officials hope higher oil revenues will allow them to begin chipping away at foreign debt, which diplomats estimate includes \$30bn to Arab allies for no-interest loans and \$25bn in interest-bearing credits from foreign banks, governments and companies.

Rescheduling agreements were reached earlier this year with French, Japanese, Italian and Austrian banks for outstanding letters of credit, diplomats said.

A 1983 loan of \$500m from 37 Western banks has also been rescheduled and talks are under way on debt to state export insurance corporations.

But Iraq is still importing on credit and as one diplomat put it: "Debts to Western countries have been increasing at a rate of \$3bn to \$3.5m a year since 1984-85."

Sinhalese, Tamil groups oppose call for elections

BY MERVYN DE SILVA IN COLOMBO

GOVERNMENT'S announcement of parliamentary elections in the strife-torn north and east of Sri Lanka, and local polls in the south has been promptly rebuffed by both Tamil and Sinhalese opposition parties.

The elections commissioner has fixed July 15 for nominations to 16 vacant seats in the Tamil north and the ethnically mixed Eastern province, including Trincomalee. The seats fell vacant in late 1985 after the Government rushed a constitutional amendment following the anti-Tamil riots. The amendment required all MPs to take an oath renouncing separatism. The Tamil United Liberation Front which had won all these seats in 1977 withdrew from parliament.

Mr Appapillai Amirthalingam, the TULF secretary-general, was the first to denounce the announcement as a "political ploy" intended to "deceive the

world" that normalcy had returned to these areas. The announcement appeared to be timed to coincide with a Sri Lanka aid donors meeting in Paris yesterday.

In a statement made in Madras, the Tamil Nadu capital where most TULF MPs now live as political exiles, he said it was more important that the Government did not deceive itself. If it were serious, it should address itself to "the grievances of the Tamil people and resume talks with Indian mediation to reach an acceptable political settlement."

Indian merchant ships carrying food and medicines arrived yesterday in northern Sri Lanka where India said Tamil civilians were near starvation after an anti-guerrilla offensive by the army. Residents from Colombo, Sri Lanka, which denies the starvation charge, agreed to the shipment last week.

Labour takes a strong lead in New Zealand

By Dai Hayward in Wellington

THE New Zealand Labour Government has taken an unprecedented 36-point lead over the National Party in the latest Haylen public opinion poll.

Labour scored 61 per cent, National 35 and the Democratic Party - formerly Social Credit - 4 per cent.

The don't know figure which had been maintaining a 22 per cent level for many weeks, is down to 15 per cent.

Labour's economic policies are now winning more widespread support getting a 57 per cent approval rating and the Government's overall performance 56 per cent. The poll was taken immediately after Mr Roger Douglas, the Finance Minister, announced his budget last week.

In the poll for the preferred prime minister, Labour's Mr David Lange scored 37 per cent, Sir Robert Muldoon, former National Party leader, 17 per cent and his present leader, Mr Jim Bolger, 8 per cent.

Shamir emphasises Israel's claim to Gaza Strip

BY ANDREW WHITLEY IN THE GAZA STRIP

MR YITZHAK SHAMIR yesterday became the first Israeli Prime Minister in over a decade to visit the Gaza Strip, the crowded, impoverished enclave Israel captured in 1967. But his few hours in the occupied territory were spent largely in the company of the army and Jewish settlers.

"Gaza is part of the Land of Israel, and is not negotiable," the right-wing Likud leader declared at Neve Dekalim, a small Jewish settlement of pre-fabricated huts.

All told, about 2,000 settlers live among Gaza's 600,000 Palestinians. Two thirds of whom are refugees, and Mr Shamir said that only financial constraints prevented a further expansion of the implanted Jewish communities. The persistence of the refugee problem, he blamed on a "lack of interest" he said Arab countries had shown in the question.

The Prime Minister's assertion notwithstanding, few would agree with Mr Shamir that the Gaza Strip - formally the last vestige of pre-1948 Palestine not incorporated into another state - has any legitimate historical or Biblical ties to the Jewish people.

Yesterday's rapid tour of the territory, long a painful thorn in the side of the Israeli authorities, more closely resembled that of a conquering military hero inspecting his subject people than a long overdue visit to a much neglected region.

Stopping briefly to talk to vegetable sellers in Gaza City's central market, Mr Shamir pointedly snubbed Mr Rashad al-Shawwa, the Strip's 78-year-old patriarch and nationalist leader.

Deposed as Mayor of Gaza by the Israelis in 1982, Mr Shawwa said yesterday that far from coming to terms with the 20-year-long occupation young people in Gaza were becoming more extreme in their attitudes.

Deposed as Mayor of Gaza by the Israelis in 1982, Mr Shawwa said yesterday that far from coming to terms with the 20-year-long occupation young people in Gaza were becoming more extreme in their attitudes.

Opposition MPs assail Thai army spending

THE THAI parliament passed the first reading of a Budget 243.5m (\$5.9bn) budget for the year to September 1988 presented by Gen Prem Tinsulanonda, the Prime Minister, Reuter reports.

The budget bill was passed shortly after midnight following a day-long debate during which opposition members of parliament accused the Government of trying to appease the Thai military with a big allocation at the expense of other economic sectors.

Parliament, in which Gen Prem's four-party coalition holds a majority, approved by a 206-89 vote a bill proposing a 17 per cent increase in national expenditure.

Mr Uthai Pichachon, the opposition leader, said the higher military allocation was made despite claims by the Government this year that it had eliminated previous internal security threats.

Police raid Sikhs' Golden Temple

By K. K. Sharma in New Delhi

POLICE SWOOPED on the Golden Temple complex in the holy city of Amritsar early yesterday, entering the holiest of the Sikh shrines for the first time since Punjab was brought under the direct administration of the central government last month. About 100 people were held by police.

The move was aimed at preventing militant Sikhs from declaring a separate state from within Sikhdom's holiest shrine today.

The action comes in the wake of a crackdown on Sikh terrorists in Punjab after the dismissal of the moderate government led by Surjit Singh Barnala on the grounds that he failed to check extremist violence. Scores of terrorists have been killed in the crackdown.

Entry by the police into the Golden Temple complex (but not the main shrine itself) means that notice has been given by the central government that it will not allow Sikh temples to be used for terrorist activity. Since the temple complex was being used as a haven, it is possible that the main shrine will also be raided if the police consider this essential. In that event, there is likely to be trouble.

Meanwhile, violence continued for the sixth successive day in Darjeeling district of West Bengal, the Marxist-run state in eastern India. Widespread violence has taken place after the Gurkha National Liberation Front called a 10-day general strike in the district protesting against "repression" by the state government which has invoked anti-terrorist laws to deal with the situation.

Raids on Gurkha rebel hideouts after acts of arson and sabotage of government establishments costing several million pounds in the past few days. The manner of the violence has led the authorities to believe that ex-servicemen are involved (thousands of Gurkhas trained in British and Indian army units have settled in Darjeeling).

Mr Subhas Ghising, the Front's leader, is demanding a separate state within the Indian constitution for Darjeeling where most people are Gurkha settlers with Indian citizenship.

AMERICAN NEWS

Brazil's car dealers stay out over taxes

BY ANN CHARTERS IN SAO PAULO

IN THE first political challenge under Brazilian Minister of Finance Luis Bresser Pereira's two-week-old effort to stabilise the economy, car dealers are continuing their nine-day lockout in an attempt to force the Government to further reduce taxes on the retail price of cars.

In five months, domestic vehicle sales have declined 38.8 per cent compared to the same period in 1986.

The suspension of car sales has backed up stocks at the factory level with manufacturers reporting nearly 25,000 vehicles, equal to two weeks' production, parked on lots. Ford, Fiat and Volkswagen declared mandatory vacation for a total of nearly 11,000 employees beginning next week.

Separate meetings this week in Brasilia between Mr Pereira and the National Auto Dealers Association and the National Auto Manufacturers Association have failed to resolve the impasse. The finance minister reportedly told the dealers that they should try harder to sell cars because with the price freeze in effect, sales should improve without cutting taxes further.

A month ago, the Government halved the compulsory tax surcharge on new cars from 30 to 15 per cent and eliminated this tax on used cars in the wake of authorised price increases on vehicles.

White House outlines opposition to trade bill

BY STEWART FLEMING

DEBATE ON THE US Senate's 1,000 page version of the trade bill opened yesterday as the White House signalled its opposition to several provisions which it warned could trigger a presidential veto if they are not dropped. Many on Capitol Hill believe that most of the bill will become law later this year.

Earlier this week the office of the US Trade Representative sent a 32 page letter signed by 14 top administration officials. Sen Robert, Senate majority leader, saying that unless "extensive improve-

ments" are made to the bill they will not be able to recommend the President to sign it.

On Capitol Hill, however, the Administration says that at this stage they sense that the White House is holding back from getting deeply involved in the legislative process. It is argued that it will not be until members of a conference committee representing the House and the Senate sit down together that the final shape of the legislation will be determined. The House has already approved a trade bill.

Divisions on Capitol Hill mean that Congress, although deeply concerned about the implications of the policy, is not proving to be a serious obstacle to the Administration's reflagging operation as some feared. Congressional officials are saying that the criticism from Capitol Hill which erupted in the wake of the Iraqi attack on the US frigate Stark has forced the Reagan Administration to explain its policies more fully, however.

Separately, the Senate Foreign Relations Committee was considering a bill backed by Sen Claiborne Pell, the committee chairman, aimed at blocking the reflagging plan and urging the establishment of the United Nations Security Council of a peace-keeping force to protect non-belligerent shipping in the Gulf.

As the Pentagon continued the movements, Democrats on Capitol Hill were wrestling with the problem of trying to establish a unified position on US policy in the Gulf. Democratic congressional leaders met to discuss the specific language of a resolution on Gulf policy.

It is understood that the Administration but to be non-committal on the key issue of whether or not to proceed with the controversial reflagging of the Kuwaiti ships, which some in Congress fear could lead to US involvement in the Gulf war between Iran and Iraq.

Mr Whitfield has gone as far as saying that he would be the first to call for an armed revolution if the courts proved hopeless when the FNM challenged the election results.

Addressing an angry crowd of about 15,000 on Tuesday night, Mr Whitfield said that he was not ready to take the government by force and that the FNM was obliged to honour the country's constitution by going to the election court first.

North 'prepared cover-up' testimony

BY LIONEL BARBER IN WASHINGTON

LT COL Oliver North led an attempted cover up of secret US arms sales to Iran by preparing misleading testimony to Congress, the Iran Contra hearings were told yesterday.

Mr Charles Cooper, Assistant US Attorney General at the US Justice Department, said Col North prepared the testimony on behalf of Mr William Casey, the now deceased CIA Director.

Mr Cooper described a White House meeting attended by senior inter-agency lawyers, Mr

Casey, Rear Admiral John Poindexter, President Reagan's then National Security Adviser, in which a chronology of US arms sales to Iran was prepared. The meeting took place in late November 1986 amid Congressional uproar over the covert shipment of arms to Iran.

Mr Cooper said Col North dominated the meeting and suggested that Mr Casey testify to Congress that "no US Government official was aware or involved in the secret arms sales to Iran. The 1985 sales included

TOW anti tank missiles and Hawk anti aircraft missiles. Under questioning Mr Cooper agreed this simply was not true.

The joint House Senate committee investigating the scandal heard that the State Department's top lawyer Mr Abraham Sofaer threatened to resign when he heard Mr Casey's proposed testimony which was subsequently toned down. However, Mr Casey deliberately withheld key facts to Congress when he appeared later.

Mr Cooper later took part in a Justice Department enquiry into the arms sale and he described the dramatic events of the weekend before Mr Edwin Meese US attorney General disclosed that between \$10m and \$30m had been diverted from the arms sales to Iran to the Nicaraguan Contra rebels.

Over lunch a senior Justice Department lawyer said he had found a memo by Col North suggesting the diversion scheme. Mr Cooper said there

was no discussion of calling in the FBI or securing Col North's document despite what he admitted was a disclosure of tremendous political significance. The diversion of funds to the Contras took place during a Congressional ban on US aid to the Contras.

The significance of the cover memorandum - which has yet to be found - is very significant since it may have been sent to a variety of senior US officials including the President.

Bahamas opposition elects new leader

By Athena Damianos in Nassau

MR KENDALL ISAACS, QC, the Bahamas opposition party leader, stepped down last night to make way for Mr Cecil Wallace Whitfield, a lawyer and founder of the Free National Movement. He was unanimously elected, stepping up from the deputy leadership.

The opposition has refused to accept last Friday's general election result in which the Progressive Liberal Party of Prime Minister Mr Lynden Pindling won 34 of 49 seats. They have called the election "one massive fraud" singling out multiple voting, chain balloting and a conflicting voters' register.

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Addressing an angry crowd of about 15,000 on Tuesday night, Mr Whitfield said that he was not ready to take the government by force and that the FNM was obliged to honour the country's constitution by going to the election court first.

There were continual shouts for war and marches during the public meeting.

Yesterday, Governor General Sir Gerald Cash, invited Mr Pindling to form a new government.

US 'annoyed' over Argentine comments on Falkland Islands

US STATE Department officials are mystified and annoyed at what they say are efforts by some Argentine officials to involve the US in the Falkland Islands dispute, Reuter reports from Washington.

"We don't know why they are doing it, but we are greatly annoyed," a senior State Department official said.

Argentina lost a 74-day war in 1982 with Britain over sovereignty of the South Atlantic archipelago, which it calls the Malvinas. The officials said public statements attempting to involve the US in mediation efforts resurfaced earlier this month when Argentina's President Raul Alfonsin, returning from a visit to Switzerland, stated Washington was "working very strongly" to establish negotiations between Buenos Aires and London.

Then last week, officials accompanying Alfonsin on a private visit to the US states, said Argentina's Foreign Minister Dante Caputo would be meeting State Department officials on the Falklands issue.

The Argentine officials said Caputo's talks would be "closely linked" to the Argentine interest in establishing an open dialogue with Great Britain on the Malvinas Islands.



Raul Alfonsin

limited to bilateral and regional issues.

Mr Gelbard was expected to tell Mr Caputo of the State Department's displeasure at the public statements linking the Reagan Administration to the Falklands issue.

According to the officials, patience with Argentina's foreign policy has been wearing thin for some time, after it took a nose-dive last March when Argentina, with other Latin countries, voted against a US-sponsored resolution against Cuba at a United Nations human rights meeting in Geneva.

The officials said they were very surprised and disappointed at the vote because they had provided Argentina with a copy of the resolution in advance and had discussed it with Argentine officials long before the UN meeting.

"They (the Argentines) want us to be peers, but that entails give and take. They think they can take and not give anything back," a senior State Department official said recently.

The officials said the UN incident had put relations between the US and Argentina at the lowest point since the 1982 war, when Washington attempted to appear impartial but provided London with satellite-gathered intelligence and other help.

Argentina to ask IMF for target waiver

By Tim Coone in Buenos Aires

ARGENTINA is shortly expected to request a renegotiation of the conditions signed in a letter of intent to the International Monetary Fund in January this year for a standby loan of \$1.35bn and \$480m in compensatory finance for falls in export earnings.

Disbursement of the loans is conditional on the government meeting agreed quarterly monetary and fiscal targets and failure to do so requires a request for a waiver from the IMF, and new targets to be set for subsequent quarters.

According to treasury figures, the fiscal deficit for the first quarter of 1987 was austral 819m (£285m), 60 per cent above the austral 500m target agreed in the letter of intent. The second quarter deficit is also expected to be substantially higher than the agreed figure of austral 650m due to unexpected falls in tax income and delays in implementing a tax amnesty to repatriate assets deposited overseas.

The IMF has still to disburse any of the loans because they are conditioned on a "critical mass" of the \$1.9bn being committed in fresh money by Argentina's commercial creditors. Up to last night 92.5 per cent of the funds had been promised by the banks. A bridging loan for \$500m from countries was made available last March until the IMF and commercial bank funds are released.

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WORLD TRADE NEWS

Toshiba to ask US auditors to clear its name

BY PETER BRUCE IN TOKYO

TOSHIBA, the big Japanese electronics group criticised in the US because a subsidiary sold sophisticated machine tools to Soviet naval dockyards, is considering hiring US auditors to examine its affairs to clear its name.

There is growing pressure in the US Congress to ban Toshiba products from the country following revelations that Toshiba Machine, 50.5 per cent owned by Toshiba, sold eight machine tools and related computer software to the Soviets between 1981 and 1984.

The machine tools enable the Soviets to machine quieter submarine propellers.

Although Toshiba Machine has been fined by Tokyo, US anger has focused on the parent, Toshiba Corporation. Toshiba officials regard this as unfair because Toshiba Machine is an independent subsidiary, and not a division of Toshiba Corp.

Relationships like this are not uncommon in Japan.

One Toshiba official said yesterday that the parent company knew nothing of the sales to the Soviet Union and that when it asked about them

earlier this year, after being alerted by Press reports, it was told by Toshiba Machine that nothing untoward had happened.

In fact, the sales broke rules of the Co-ordinating Committee (Cocom), which regulates the transfer of western technology to communist countries.

The official said Toshiba would appoint a prestigious firm of US accountants next month to establish the exact form of the relationship between Toshiba and Toshiba Machine, and to conduct an independent investigation into how the machine tool sales were made.

By appointing American auditors, Toshiba hopes to prove to angry members of the US Congress that it cannot be held responsible for the machine tool deals.

Talks with a number of US auditors represented in Japan are being held, but the company may also have to dispatch senior Japanese executives to Washington to try to cool congressional passions.

Toshiba sells around ¥400bn (\$1.72bn) of its products in the US each year.

Portugal's deficit with EC partners slows

By Diana Smith in Lisbon

PORTUGUESE manufacturers have begun to rally energetically against EC imports and the growth of the trade deficit has slowed after a difficult start in January and February when the trade gap widened by 61 per cent.

For the first four months of the year the trade deficit of £145bn (\$635m) was 34.4 per cent larger than the deficit for the first four months of 1986.

Exports totalled £540bn while imports totalled £685bn.

Export growth picked up to 18.5 per cent while import growth cooled slightly compared with the first two months of the year to 22.5 per cent.

Coverage of imports by exports was 73 per cent while coverage of EC imports by exports to the EC improved marginally to 81.2 per cent.

India's Shipping Corporation has decided to use the port of Lisbon to transship merchandise to North and South America, and Europe. Portuguese ports have been made almost prohibitively expensive by bureaucratic problems and the stevedore unions.

Peter Montagnon reports on the problems faced by consumer lobby groups Tackling the politics of protectionism

The argument that consumers pay a price for trade protection both in terms of higher prices and narrower choice is nowdays well accepted. But it seems to carry little weight with policy makers in practice.

The costs of protection are widely spread, hard to quantify and often little understood even by consumers themselves; its purported benefits accrue to vocal, special interest groups who can argue their case with force. As a result public debate on trade is often lop-sided, with most attention paid to short term threats to employment and scant regard to the costs of protection to the economy as a whole, which free-traders argue jeopardises employment in the more distant future.

An attempt to redress the balance was made this week by the UK Consumers' Association which, together with the Trade Policy Research Centre, organised a seminar on the impact of protectionism on the consumer.

According to Mr Peter Goldman, director of the association and director general of the International Organisation of Consumer Unions, the case for consumers having a greater say is clear. Management and unions alike can easily pinpoint a threat to jobs and point to traumatic consequences such as the closure of a factory, he says.

In those circumstances it is easy to enlist the help of a local MP, especially if the industry concerned is concentrated in small geographic areas.

"Consumers' Association experience with the Multi-Fibre Arrangement has shown it makes little difference which party an MP belongs to, or what policies his party espouses nationally."

It is hard for consumers to counter the weight of such well-organised lobby groups. Not only is it difficult to quantify the cost to consumers of protection. Trade policy decisions are frequently taken in conditions of relative secrecy and are not subject to the same public scrutiny as, for example, would be adjustments to the tax regime.

Yet there is some evidence that opening trade policy to greater public enquiry can have some effect on reducing the level of protection in an economy. Australia has had an Industries' Assistance Commission since 1974, an independent body whose purpose is to advise the Government on trade policy matters from the perspective of their impact on the economy as a whole.

Australia is not renowned as a free-trading nation and, according to Dr Gary Sampson, an Australian economist who is senior counsellor to the



Alan Clark

General Agreement on Tariffs and Trade in Geneva, levels of protection in Australia's manufacturing sector have declined only slightly since the IAC was formed.

Underlying this, however, is a different picture. Reports by the IAC on the most sensitive sectors such as motor vehicles, steel, textiles, clothing and footwear were rejected by the Australian Government. In these sectors the effective level of protection has increased dramatically from around 45 per cent in 1974 to 122 per cent today. According to Dr Sampson, the average effective rate

of assistance to sectors that remained within the purview of the IAC has fallen to around 15 per cent from 25 per cent in 1974.

This suggests that broad public enquiry which takes account of the views of all interested parties can actually succeed in reducing protectionist drift. Yet the IAC is the only organisation of its type and Australian practice is far removed from what goes on in Europe.

Mr Tony Venables, director of the Bureau of European Consumer Unions, says that the European Commission's record of consultation with consumer groups is haphazard. They have so far been unsuccessful in attempts to get their views across on the Uruguay round of multilateral trade liberalisation talks and have had no opportunity to record their opposition to the proposed levy on oils and fats.

This is all the more remarkable, he says, because the Commission has underestimated the price effects of its tax. For cheaper brands of margarine and oil it could be as much as 50 per cent. Had the Commission known that it might not have produced the tax, he says.

Consumer organisations, says Mr Goldman, have developed a powerful weapon against protectionism through their increasingly sophisticated

methods for comparative testing of products and services. The problem remains how to get the results across to policy-makers as well as the general public.

For Mrs Rachel Waterhouse, chair of the Consumers' Association, the most important question remains that of the transparency with which trade policy is conducted. Until that changes governments will continue to use a peculiar form of double-speak.

Recorded statements by Mr Alan Clark, UK Trade Minister, illustrates what she means. Answering a general question on protectionism, Mr Clark has said: "Protectionism raises prices, reduces choice and encourages an inefficient allocation of resources. Were it to proliferate, it could weaken world trade and damage progress for world economic growth, including the growth of the UK economy."

But in another context (the Multi-Fibre Arrangement) he took a different line: "We have kept tight controls where they are most needed by our industry. . . . We have, of course, kept in close and detailed touch with the industry throughout. I have had a number of meetings with the unions and I hope to recognise that we have negotiated effective protection of the most sensitive sectors."

De Clercq warns of Trade Bill reaction

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE EUROPEAN Community "would be forced to react firmly to safeguard its interests" if protectionist trade legislation, being debated in the US Congress, reaches the statute book, Mr Willy De Clercq, EC External Relations Commissioner, said in London yesterday.

The proposed legislation constituted a unilateral and unacceptable attempt by the US to rewrite the rules of international trade, he told the European Business Institute.

"If Congress legislates in a way that is harmful to our interests, then we shall be obliged to respond in kind," he said.

Mr de Clercq avoided mention of the EC's proposed tax on oils and fats against which the US has said it would retaliate, but his speech offered a gloomy assessment of the current state of EC trade relations with both the US and Japan. The latter had become "explosive".

Mr de Clercq, who is to visit the US early next month to lobby against the Trade Bill, said the paramount concern of the EC was the provisions it contained to limit, if not eliminate, the discretion of the President in addressing trade problems.

Warning of the risk to the Uruguay round of trade liberalisation talks if the bill were passed, Mr de Clercq singled out four specific areas of anxiety.

● The Giscard amendment which would penalise countries with an excessive and unwarranted trade surplus with the US. This contravened both the spirit and the letter of the letter of the General Agreement on Tariffs and Trade.

● Telecommunications provisions which impose mandatory deadlines and the notion of strict reciprocity.

● Language on the registration of foreign investment in US real estate and businesses. This was discriminatory because it required additional disclosures by foreigners.

● Proposals on anti-dumping and countervailing duties, "which would take US legislation in this area beyond GATT rules, and which could have a serious and prejudicial impact on EC industries."

Despite these concerns, Mr de Clercq said the bulk of trade between the US and EC remained unaffected by trade disputes and he was "cautiously optimistic" about bilateral relations.

US lays ground for chip accord with EC

BY LOUISE KEHOE IN SAN FRANCISCO AND WILLIAM DAWKINS IN BRUSSELS

THE US is preparing the groundwork for a technical co-operation accord with the EC semiconductor industry to smooth trade tensions created by the controversial US-Japanese semiconductor trade agreement.

Representatives of European semiconductor manufacturers and EC officials met with their US counterparts in Washington earlier this month to open discussions on semiconductor trade and industry trends.

This is the first time for more than a year that both sides have formally discussed semiconductor trade. The issue has become one of the most politically sensitive areas of US-EC relations since the establishment last July of the US-Japanese trade agreement. The EC has filed a complaint at the General Agreement on Tariffs and Trade over the effects of the agreement.

The talks were held at the urging of the US as part of regular six-monthly meetings

of the US-EC High-Tech Working Group. The discussions were "low key" and the divisive trade agreement was excluded from the agenda.

According to US officials, the meetings were held to create a basis of understanding between both sides of industry and trade issues. "The talks solved the basic problem — which was that we were not talking," said Mr Michael Gadbaw, Washington counsel for the US Semiconductor Industry Association. Although no immediate tangible results are expected, both sides expect that the meetings will ease tensions.

Japan is considering proposals for a multilateral chip trade accord. US industry officials said it was too soon to tell whether the US-EC talks might eventually lead to a chip trade accord with Europe. They noted, however, that the US-Japanese pact had stemmed from similar low-key industry discussions.

Jaruzelski to seek trade boost in visit to Japan

BY CHRIS BOBINSKI IN WARSAW

GENERAL WOJCIECH Jaruzelski, the Polish leader, will be stressing Poland's interest in boosting trade and co-operation with Japan during a five-day official visit there at the invitation of Premier Yasuhiro Nakasone starting on Sunday.

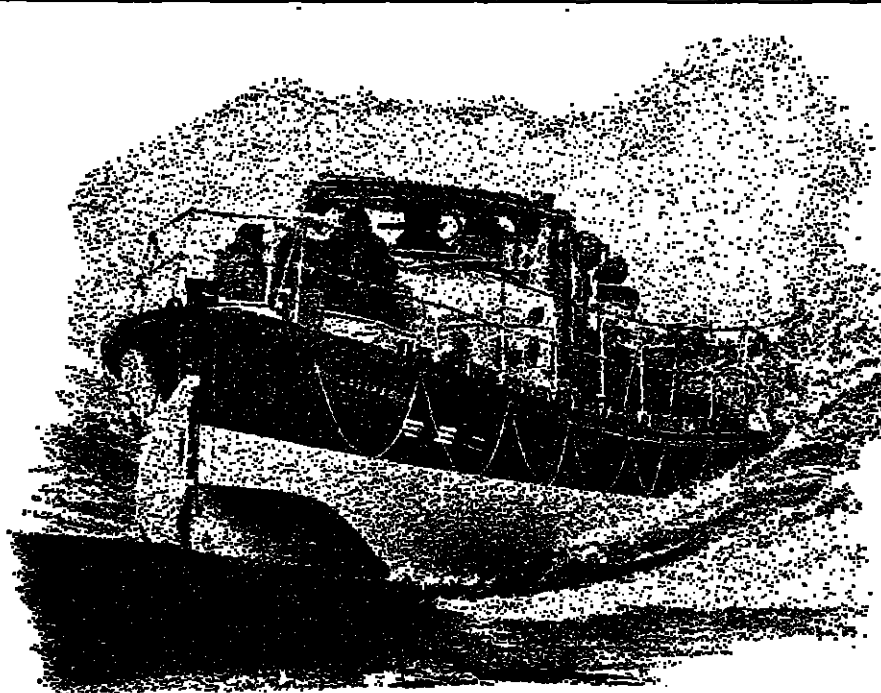
The Poles would like to rebuild trade to the level of the 1970s. Bilateral trade peaked at \$373m in 1977. Last year Japanese exports to Poland were worth \$146m while Polish sales lagged behind at \$55m.

One obstacle to the extension of trading relations is Poland's debts. Fresh Japanese credits are being held up until Poland settles its arrears in line with policy agreed with the Paris Club of creditors. Poland's total external debt is \$35bn, \$1bn of which is owed to Japan.

The credit problem is complicating talks on an agreement to modernise the Warsaw FSO car factory by Daihatsu, the Japanese car manufacturer.

Daihatsu, supported by three Japanese trading houses including Mitsui, are bidding for the scheme, initially worth \$200m, against Fiat of Italy. FSO are in favour of the Japanese bid which offers the more modern Charade car and better financial terms. According to Mitsui the overall Japanese credit offer would be worth \$88m.

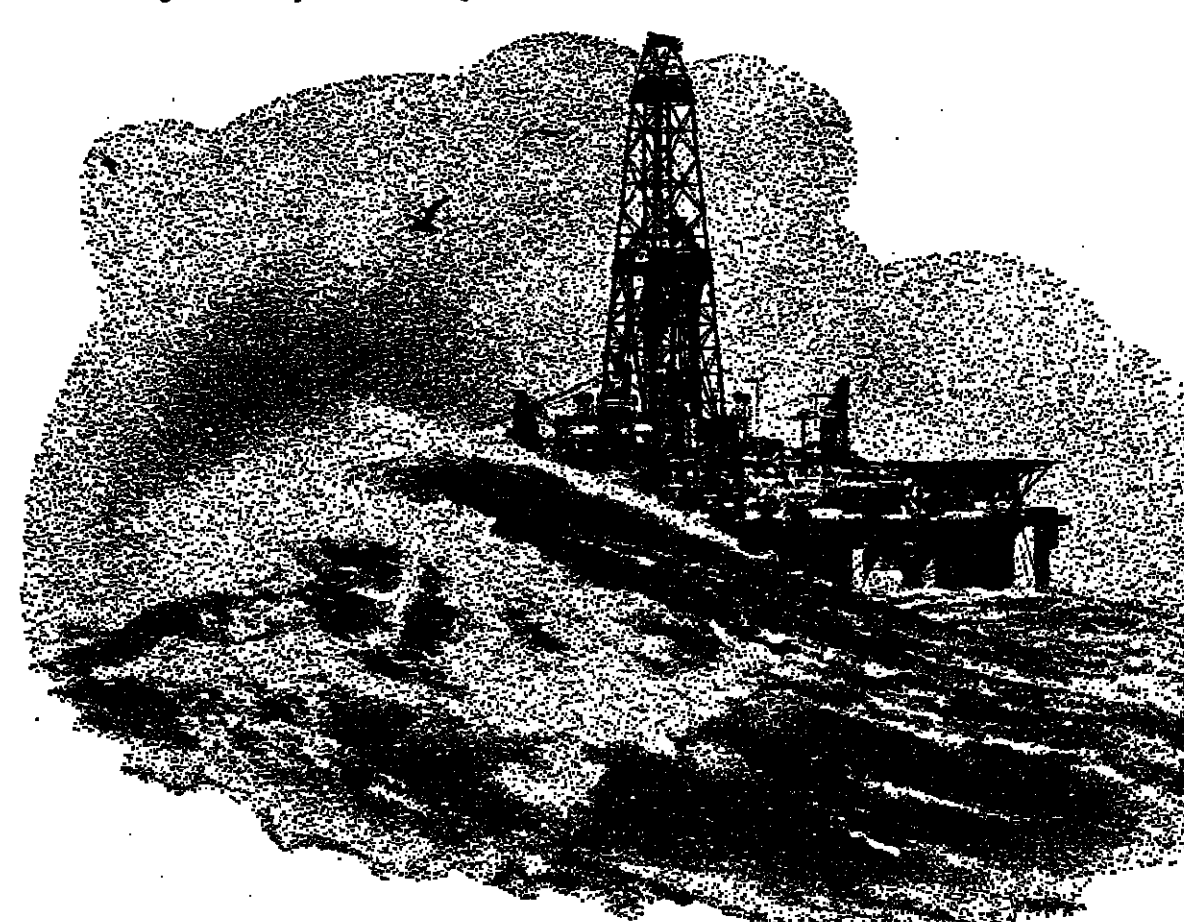
Fiat is able to offer assured access to the Western European market for FSO products, and is also involved in modernising Poland's other small car factory FSM. The Italians have offered credits worth \$1.8bn if their offer is taken up.



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MANAGEMENT

TO CAR owners around the world, Volvo has always epitomised conservatism and longevity. The Swedish company has made model changes only rarely, holding itself aloof from the Japanese strategy of quickfire replacement, as well as from the Ford and General Motors policy of making cosmetic changes almost every year.

Instead, Volvo stresses the extraordinary life expectancy of its cars—and, by implication, the longevity of each design. In trucks, its model changes have always been more frequent, but the company points proudly to the growing tendency of its truck customers to trade in less frequently than they used to.

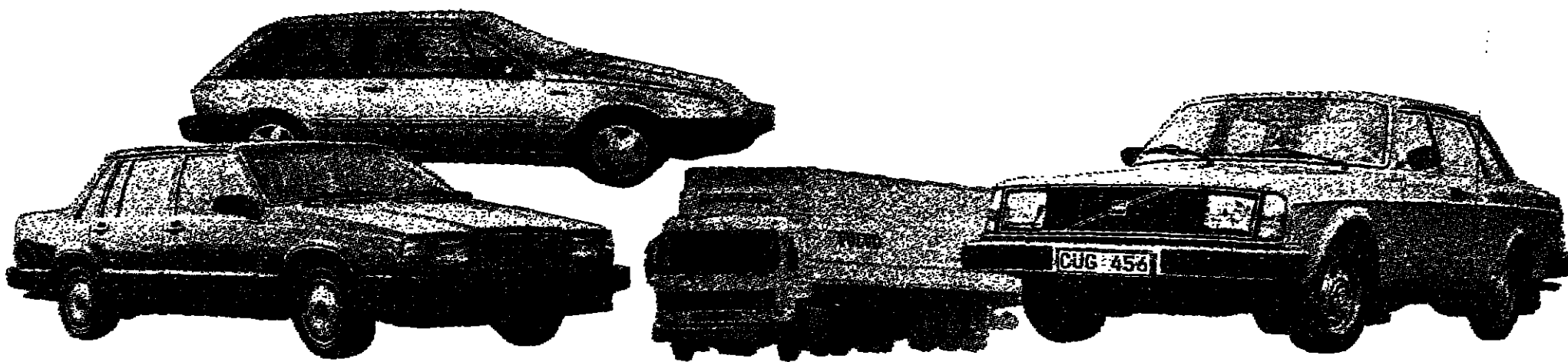
Volvo is not, in short, an obvious sufferer from the shortening of product life cycles which is driving many other companies, in all sorts of industries, to slash the time they take to develop new products.

Yet over the past few months Volvo has introduced radical changes in the way it develops both new cars and trucks, making clear that one of the main objectives is to cut development times.

When Volvo Car Corporation announced a reorganisation which took effect in January, its President, Roger Holtback, said the purpose was "to create a more efficient product process and significantly shorten the time required from idea to finished car." And when notice was given in April of an even broader restructuring of the (separate) truck company, the acceleration of product development was given equally heavy emphasis.

Volvo Truck has already made progress in shortening development times (see inset). But Ragnar Fast, the company's aptly named vice president of product development, says that without the reorganisation these gains could have been put at risk as a result of all the managerial complexities introduced by Volvo Truck's recent rapid expansion of its North American operations, via the takeover of White Motor and a joint venture with General Motors.

The key organisation change in both Volvo Car and Volvo Truck is the introduction of precisely the sort of collaborative "rugby team" structure which has stood all sorts of Japanese companies—and a few American electronics manufacturers—in such good stead over the past decade: a system in which product planners, marketing experts, designers, product engineers, manufacturing engineers and key suppliers work together on project teams from start to finish of the



Volvo's drive for shorter cycles

Christopher Lorenz reports on the hoped-for results of the Swedish auto group's newly streamlined structure



THE PRODUCT RACE

development process.

The fact that even an up-market manufacturer such as Volvo should join the rush to streamline development provides graphic evidence of the way that the "product race" is not just affecting companies which have been assaulted by head-on Japanese competition.

One of Volvo's prime reasons for joining the race is that a shorter and more effective development process, with less re-design needed as the project passes from one phase to another, can cut dramatically the fast-escalating human and capital cost of development.

Volvo's continued survival as a relatively small player in the automobile industry depends not only on its participation in the growing network of alliances and joint ventures which now criss-crosses the

DEVELOPMENT of Volvo's latest truck range, the FL 710 (launched in 1985) took about five and a half years, almost 18 months less than its simpler predecessor. The main acceleration factor was the introduction of a much more systematic decision-making process, especially over the design and ordering of press tools for cab production. Cab development costs were cut by about 10 per cent, to around £25m.

But development and unit costs were still higher than they might have been because of the company's sequential system of development, admits

Per Lindquist, a senior Volvo product planner.

Over the last 18 months Volvo Truck has shifted rapidly towards a lighter-weight version of the multi-disciplinary project management system just adopted by its sister car company; in trucks project co-ordination is carried out by product planners like Lindquist.

The pay-off has already been dramatic. "Functional specialists are no longer working with closed doors between them," says Lindquist. "And now that a single person is responsible, it's easier and quicker to take de-

cisions. Previously you could blame anybody for problems." Special emphasis is now being put on more rational design for production and assembly, with planners, cab designers, suppliers, production experts and so on all working together from a very early stage of the project.

"Production people used to get involved late in the process, when there was very little scope for influencing the product's design. This led to late design changes, cost increases and imperfect solutions," says Lindquist.

A formal decision to scrap

the old sequential pattern, and move to a more project-based approach, where different functions work in parallel, was taken a year ago.

In April this new pattern of working at Volvo's Gothenburg headquarters was reinforced by a decision to extend it to all new truck development in the group, including White and Volvo-GM in the US.

The organisation changes which accelerated the FL 710 project in the early 1980s were sparked off by the planned introduction of computer-aided design in 1979,

even though its actual use was limited. When its potential is fully realised, and the new organisation changes are applied throughout truck development—not just to cabs—the cycle will be streamlined further.

How far this will actually compress the cycle depends on the extent to which time savings are offset by the growth in complexity, quality and features of future Volvo trucks. The same caveat applies to the impact of savings that are already being made through more effective laboratory testing.

variations of existing products.

In cars, shorter product life cycles and more rapid product introductions are starting to affect several of Volvo's market segments—both new and old.

With the recent introduction of its 480 sports coupe—which outsiders expect to be the start of an eventual replacement range for the staid 800 medium-sized series—Volvo has started to take itself into a market segment which is more unstable than its traditional ones, since consumer preferences are more fickle, and competitive action more rapid and unpredictable.

In its established car businesses, Volvo's shift up-market with the 700 Series has given it some protection against Japanese double-quick tactics. But its long-running 200 Series—for years the company's vital

cash cow—is starting to look vulnerable in certain markets, both to the Japanese in their own move up-market, and to the similar drive which western competitors such as Ford have adopted in response to the Japanese.

Dan Werbin, executive vice-president of Volvo Car, who also heads its product development organisation, resists such talk. "We will continue to have fairly long product life-cycles, because of our type of customer and the longevity that we build into our cars," he says. But he concedes that the 480 "will be more susceptible to change" than the 200 or the 700 Series, even though Volvo hopes to build considerable customer loyalty even in this fashion-conscious segment.

To Werbin, the most immediate reasons for changing Volvo Car's traditional develop-

ment structure are not external, but internal: the growing size and complexity of the organisation, the greater technological complexity of its products, and the need to improve the quality and flexibility of the development process, as well as its cost-effectiveness.

In contrast with the truck company's experience the actual shortening of Volvo Car's standard five-to-six-year development cycle is some way off, he says: the changes directly associated with the introduction of computer-aided design engineering and manufacture will eventually cut that cycle by 20 per cent, he predicts, but not for another five years or so. Volvo Car is already using CAD extensively—over half its engineering drawings are computerised, for example—but so far this has been directed mainly at quality improvement,

rather than at timesaving.

One measure of the complexity of product development in Volvo Car these days is that its product planning, design and engineering staff now totals over 2,000, almost three times as many as a decade ago. It now has twice as many product lines and the number of variants has increased sharply. So more development projects are under way than ever before.

All this "became too burdensome for our traditional functional structure," says Werbin. "We needed to cut down on bureaucracy and make project responsibility very clear, so that specialists could concentrate on the development of the total product, rather than on bits and pieces, as in the past."

Volvo Car calls its new matrix structure a "project organisation," but it would be more precise to describe it as a cross

between a functional organisation and an all-out project team approach, with its balance weighted in favour of the project side of the matrix.

The traditional "vertical" functional departments have been retained, but their work is now co-ordinated "horizontally" at all levels by three heavyweight "programme managers"—one each for the 200 Series, the 700 Series, and "new cars." The programme managers are responsible for leading development projects right through from early concept to product launch and beyond; the three share equal status with the functional directors of marketing, product engineering and so on.

Within each functional unit, a corresponding project (or "programme") structure has been established, with overall responsibility for each project concentrated in the hands of just one person (top management lays great emphasis on this as being vital for clear decision-making).

The official objective of the new structure is to establish "harmony" between the project and functional organisations. In practice, Rene Gustafsson, director of vehicle engineering, is nearer the mark with the comment that the new structure "doesn't mean removing the influence of the line managers, but putting them under pressure to meet requirements better," especially on cost and quality.

As well as creating greater discipline, Dan Werbin hopes the matrix will "release energy throughout the organisation," and need, a much greater sharing of information, especially across functions.

For any matrix to operate effectively, task and role must be seen as more important than rank and title—not just in theory, but in practice. "Many western companies have failed to make their matrix work because they've imposed an hierarchical structure on it," says Dr Gordon Edge, a management consultant who advised Volvo on the reorganisation.

In a relatively democratic company such as Volvo, where many managers' job titles (though not the top rank) are often omitted from organisation charts, a product development team stands a better chance of success. Which is just as well, since there seems—outside Japan—to be no other way to manage complex, interdisciplinary projects when time and money are at stake—not to speak of survival against the Japanese.

The first two articles in this series appeared on June 17 and 19. The next will be published on July 3.

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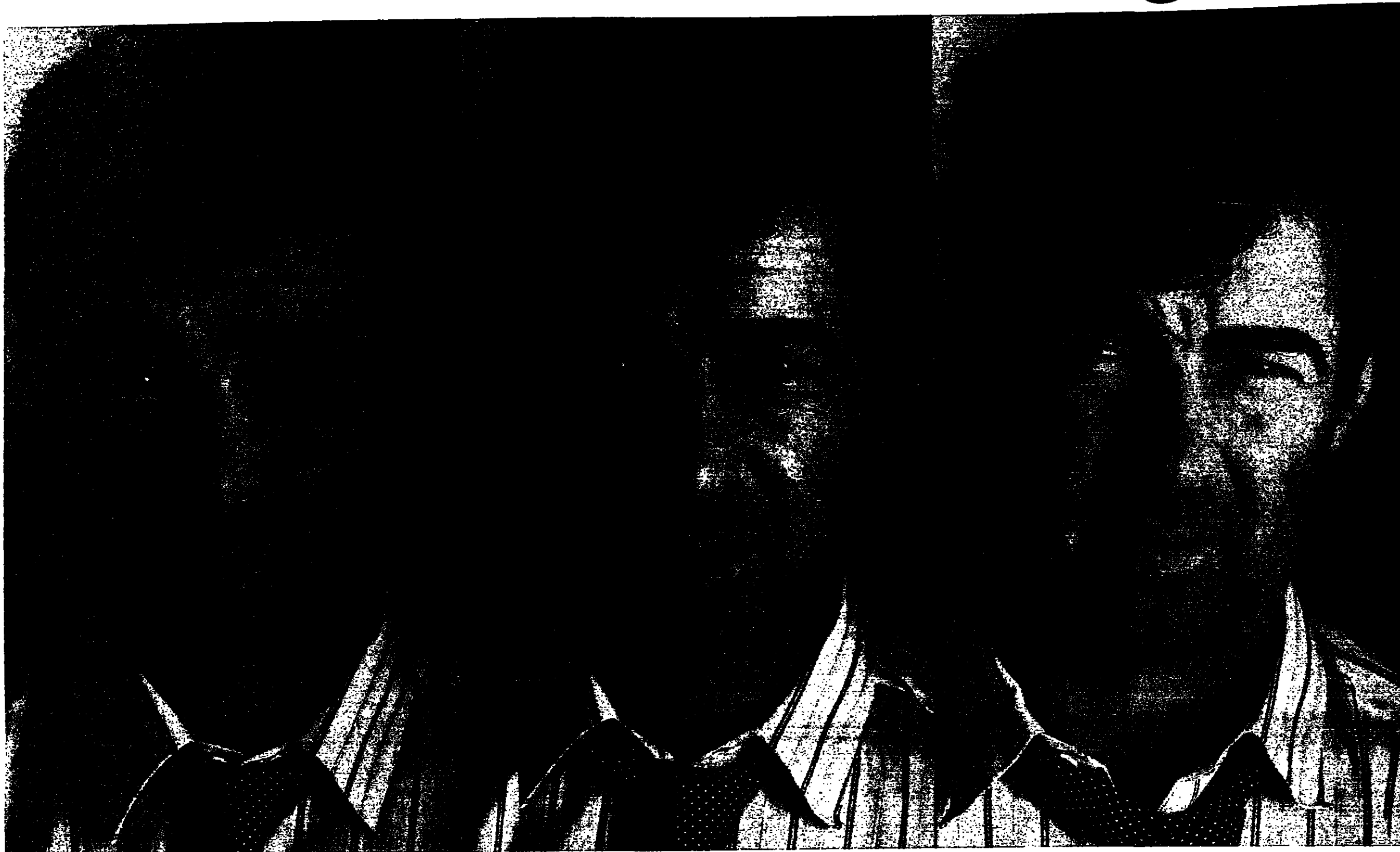
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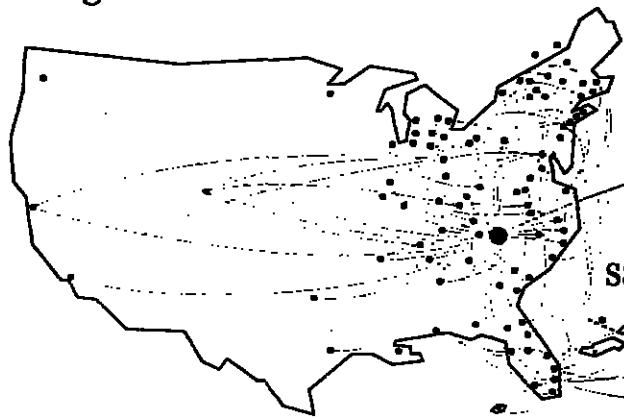


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UK NEWS

Store shares slide over
Argyll accounting move

BY DAVID WALLER

SHARES ACROSS the stores sector yesterday tumbled on the London Stock Market yesterday fears of an onset of conservative accounting.

The widespread decline was triggered by the Argyll Group's decision to treat the £30m cost of reorganising its Presto stores as an "exceptional" rather than an "extraordinary" item.

The move, which follows the company's £681m acquisition of Safeway in January, will reduce the pre-tax profits and earnings per share over the next four years.

The whole sector was afflicted by worries that acquisitive companies would have to reduce their profits in a similar way. Burton fell 14p to close at 311p, Dees fell 15p to 228p, Woolworth lost 22p to close at 400p, and Ward White 14p to 394p. Even Marks and Spencer, a company not prone to takeover activity, declined 9p to 243p.

"It was an immediate emotional

reaction," commented one analyst. In a sector renowned for its takeover activity, and subsequent reorganisation of acquisitions, extraordinary costs abound. These do not have any effect on a company's pre-tax profits or earnings per share, whereas exceptional costs are taken "above the line" and most certainly do.

The City of London became aware of Argyll's accounting heresy midway through a meeting of analysts yesterday morning. News of Argyll's £208m rights issue and the company's share price had already prompted a fall of about 10p in its share price from the opening 484p.

During the presentation of the 1986-87 figures, the impact of the exceptional item suddenly registered, and brokers alerted their sales-forces to the bearish implications. Argyll's shares fell further to close 45p down at 439p.

Mr David Webster, Argyll's finance director, said his company

"would have been delighted to have treated the cost as extraordinary. But we followed the only course of action open to us if we were to comply with the appropriate accounting convention."

"If we had adopted a different treatment, our auditors would not have been able to support it."

He denied, however, that he had adopted the policy at the auditors' insistence. Argyll's decision highlights the ambiguity surrounding the accounting treatment of takeovers. Accounting orthodoxy, in the form of a recently revised Standard Statement of Accounting Practice Number Six, says that costs associated with a company's ordinary activities are "exceptional".

"Extraordinary" costs are those that arise outside its normal activities. It is a moot point whether takeovers constitute normal activity or not.

Lex, Page 24

Backing for consumers
on cash card laws

BY HUGO DIXON

THE OFFICE of Fair Trading (OFT) has come down firmly on the side of the consumer in recommendations for changes in the law on cash dispensers published yesterday.

The recommendations have been made to the Jack Review, set up earlier this year to decide whether there was any need to change the law on banking to bring it up to date with electronic developments.

OFT's proposals, which mirror those of the National Consumers Council, increase the likelihood that something will be done.

There is growing concern that consumers are insufficiently protected in automated teller transactions. OFT has made four main recommendations:

● Consumers' liability on ATM cards which are lost or stolen should be brought into line with the law on credit cards, as set out in the 1974 Consumer Credit Act. This limits cardholders' liability to £50.

At the moment, an ATM card issuer can write unlimited liability into its contracts with cardholders.

● When there is a dispute over an ATM transaction, such as its value or whether it took place at all, the burden of proof should lie with the card issuer. At present, many take the attitude that the consumer is guilty until proved innocent.

● All ATMs should be capable of producing receipts, so that the cardholder can have some paper evidence of any transaction.

● The mailing of unsolicited ATM cards should be banned. This would also follow the provisions of the Consumer Credit Act as they relate to credit cards.

OFT is suggesting these proposals are backed up by a statutory code.

Card issuers should be obliged to incorporate most of the code's provisions into contracts with their customers.

OFT doubts that a voluntary code would be sufficient and thinks that to ensure it is obeyed, the Secretary of State for Trade and Industry or the Director General of Fair Trading should have the power to enforce it by means of a direction.

Warburg switch
for Mercury
International

By Our Financial Staff

MERCURY International Group (MIG), the investment banking concern, is planning to change its name to S.G. Warburg Group in order to sharpen its image.

There has been some confusion in the press, among the public and in financial markets because of the plethora of different names within MIG and name changes in the past. The group took on its present name only in April 1986, having previously been called Mercury Securities.

MIG is best known because of S.G. Warburg, its merchant bank. Its securities operations, which include all the elements assembled last year by MIG to prepare it for a major role following Big Bang, have increasingly become known in the market as Warburg Securities, although the full name is S.G. Warburg, Akroyd, Rowe & Pittman, Mullens Securities.

MIG feels there will be less confusion if the holding company and the two main wholly-owned subsidiaries share the same name.

US system studied
to halt off-balance
sheet financing

BY RALPH ATKINS

The Accounting Standards Committee may take a lesson from US accountants on how to stop companies using off-balance sheet financing.

The committee is anxious to find ways of halting the growth in the use of devices to improve the appearance of a company's balance sheet. Off-balance sheet financing allows a company to have responsibility for assets and liabilities without showing them on its balance sheet.

A report published by the Institute of Chartered Accountants in February said billions of pounds are invested in these schemes - making it difficult for investors to assess the true position of many companies.

The committee particularly wants to prevent the use of "controlled non-subsidiaries" which are used to house assets and liabilities not shown on parent group balance sheets.

But drafting a new accounting standard to overcome the problem is a complex project which even the Accounting Standards Committee has found hard to tackle.

Instead the committee is considering a solution from the US that would break new ground for Britain's auditors.

It relies on using a general definition set out by the US Financial Standards Accounting Board of

what transactions should be included on a balance sheet. The definition set but in the paper under consideration would take the UK's accounting standards to a level of abstraction not seen before.

"It is unlike any other paper the Accounting Standards Committee has proposed," said Mr Michael Renshall, the committee's chairman.

The wording the committee is considering adapting defines an asset that should be included as having a "probable future economic benefit." It should also have been obtained and controlled by the company as a result of a past transaction or event.

Similarly a liability is anything which will mean a "probable future sacrifice" for the company.

If any proposal is to be workable it must take account of the highly technical issues involved. The committee is also facing pressure from the Law Society which has warned against measures that will make the job of auditing too subjective.

The committee will also have to overcome objections from businessmen and accountants but it hopes to publish a consultative document in September.

This will be followed by about six months of discussion. The new standard would then have to be approved by the six bodies which supervise accounting in the UK and Ireland.

Oil production falls by 4%

FINANCIAL TIMES REPORTER

OIL PRODUCTION from the UK sector of the North Sea fell 4 per cent in the three months to April compared with the level in the corresponding period of last year, according to official figures published yesterday.

The Energy Department's Energy Trends showed that crude output in the three months to April was 29.5m tonnes or 2.42m barrels per day compared with 31m tonnes in the corresponding period a year earlier.

The decline is likely to accelerate as North Sea production is past its peak. By 1990, UK oil production is likely to have fallen to between 1.6m b/d and 1.7m b/d.

By the end of the century it is likely to be between 600,000 b/d and 1.2m b/d, depending on the rate of discovery and development of new fields.

Yesterday's figures show the amount of oil processed in UK refineries in the three months under review was 6 per cent below the level of the corresponding period a year ago.

Consumption of petroleum products fell 7.4 per cent in the period, although consumption of petrol was up by 5.8 per cent.

The steepest falls were in demand for kerosene and fuel oil which were down 37 per cent and butane and propane which were down 21 per cent.

Dockers
to be
balloted
on strike

By Jimmy Burns

THE TRANSPORT and General Workers' Union (TGWU) is to ballot Britain's 13,500 dockers on a national docks strike which would begin if employers in the West of Scotland re-introduce casual working in ports there.

A special conference of docks delegates in London yesterday voted overwhelmingly in favour of the ballot in response to the Clyde Port Authority's decision to close the Greenock container terminal.

Mr Nicholas Finney, director of the National Association of Port Employers, described the ballot as "entirely unnecessary." He claimed that the union was over-reacting to a problem that was being resolved locally.

However, Mr John Connolly, the TGWU's national docks secretary, said yesterday that the proposed Greenock closure had raised a "fundamental issue" for dockers. He was "absolutely confident" of having their support if strike action went ahead this summer.

The Clyde Port Authority said yesterday that it expected all 88 dockers currently employed at the terminal to accept the offer of £25,000 each in severance payments, and that the closure would be completed without problems by the revised deadline of August 14.

Mr Connolly predicted that some of the dockers would refuse to accept voluntary redundancy and that this would inevitably lead local employers into a breach of the 40-year-old statutory Dock Labour Scheme.

The authority said it could offer alternative employment to only six of the dockers, while other port employers in the west of Scotland said they had no jobs available.

The TGWU said yesterday the ballot move was a pre-emptive decision aimed at having a strike in place by August 14 - the date by which the Clyde Port Authority will deregister its dockers - within the time-scale required under present trade-union law.

The ballot is expected to begin in the first week of July and its results will be published by July 21.

They fear that employers are privately using the Greenock problem to get rid of a scheme they believe is contrary to the Government's free-market philosophy and detrimental to their own competitiveness.

GM van plant at risk
after workers reject
no-strike agreement

BY CHARLES LEADBEATER, LABOUR STAFF

THE FUTURE of 1,900 jobs at General Motors' van plant at Luton hangs in the balance after workers at the plant voted to reject a strike-free agreement which includes radical changes in working practices, collective bargaining arrangements and pay scales.

The unions are seeking to reopen negotiations, but the company said the changes would have to be agreed by next Tuesday, otherwise its joint venture with Isuzu, the Japanese motor manufacturer, would be called off and the plant closed.

The detailed agreement will have to be signed by July 24 when the plant, which is losing £500,000 a week, closes for the summer holidays.

It is likely there will be 500 redundancies under the plan, which represents one of the most far-reaching proposals for change in industrial relations at an established manufacturing plant. Strike-free, worker-flexibility agreements have usually been proposed at single-union, greenfield sites.

Union officials said the company's proposals would mean worse terms and conditions of employ-

ment. However, mass meetings on Wednesday night mandated union negotiators to reopen talks.

The company, which remains hopeful for an agreement, has offered an across-the-board rise of £240 and the consolidation of production bonuses worth £940 a year to ease through the changes.

However, the proposals contain several highly contentious elements, which are the furthest yet that any motor manufacturer has gone in responding to the streamlined working practices introduced at Nissan's Tyne and Wear car plant.

The Luton plant's 30 pay grades would be condensed into a single structure of nine, covering both manual and white-collar workers. The company wants to sweep away more than 100 job classifications to produce complete worker-flexibility within grades, subject to skills.

A system of binding pendulum arbitration would be introduced and collective bargaining would be conducted through a joint works council, covering all staff, modelled on Nissan's procedure.

White and blue-collar would be on the same terms and conditions.

Guinness Mahon loses
employees to B&C rival

BY HUGO DIXON

EIGHT MORE senior employees of Guinness Mahon, the merchant bank, have defected from the merchant banking group being set up with £100m in capital by British & Commonwealth, the financial services and transport group.

The moves create a further headache for Mr Alastair Morton, chairman of Guinness Peat Group (GPG), the parent of Guinness Mahon, who has spent the week trying to find an acceptable compromise with Equiticoop, GPG's largest shareholder, for representation on the board and negotiating unsuccessfully for a merger of the insurance broking arms of GPG and Hogg Robinson Group.

The arrivals at British & Commonwealth join Mr Bruce Ussell, the new merchant bank's chief ex-

ecutive, and Mr Malcolm Wilde, his deputy, both of whom left Guinness Mahon in April.

They are: Mr David Milne, Guinness Mahon's director for capital markets; Mr Peter Haring, also on the capital markets side; Mr Jorge Gallegos, director for entertainment financing; Mr Mark Toller, assistant director for private banking; two of Mr Toller's assistants, Mr Ian Crosthwaite and Mr David Skeath; Mr Michael Chicken, manager for property financing; and Mr Paul Kelly, manager for credit administration.

The eight joined British & Commonwealth on Monday after handing their resignations to Guinness Mahon several weeks ago. "We are filling the gaps," Mr Morton said. "Nothing is particularly tragic."

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UK NEWS

Finance control 'lacking' at troubled newspaper

BY RAYMOND SNOODY

THERE WAS a complete absence of financial controls at the News on Sunday and "very poor" accounting records, according to a statement of affairs produced by the company's auditors.

The directors of the left-of-centre newspaper, which raised £5.4m from 23 trade unions and 21 Labour-controlled councils and £1.1m from private investors asked for a statement of affairs soon after the launch at the end of April.

H.W. Fisher, the News on Sunday's auditor, said it was unable to give a formal statement of the company's affairs on May 10 because of a series of difficulties. They included the absence of the company's accountant during the preparation of the report and the fact that no cash transactions had been fed

into the company's computer system.

"The transactions for the period August 1986 to November 1986 have not been properly recorded and have not been incorporated in the accounting records," the accountants said in the introduction to their document.

The firm went on to mention "the complete absence of financial controls and the general very poor state of the accounting records."

Two weeks after the launch of the paper H.W. Fisher gave a warning that the surplus over all the company's liabilities amounted to £157,000 - barely enough for another week's publication. The board made sure that more money was injected to avoid the danger of trading illegally.

Yesterday Mr Nicholas Horsley, chairman of the News on Sunday and deputy chairman of Northern Foods, admitted that no proper books were kept. "There were financial records, but I accept that no proper books were kept," Mr Horsley said.

Work began yesterday on the next issue of the paper after all the 183 staff received dismissal notices. Between 70 and 80 are being hired on weekly contracts while Lancashire businessman Mr Owen Oyston tries to complete a rescue package for the paper.

One former member of staff said yesterday that there was now widespread gloom about the prospects for News on Sunday which is now clinging on to a circulation of about 200,000.

Job cuts dispute disrupts Massey

BY JOHN GAPPER, LABOUR STAFF

MANUAL WORKERS at the Massey Ferguson tractor plant at Coventry, West Midlands, started industrial action yesterday in protest at the company's intention to make 375 of them compulsorily redundant and impose a 10 per cent pay cut on the others.

A rolling programme of action, which could include temporary workouts, is planned by the unions,

which said they were confident that production would be "significantly affected."

It follows the breakdown of talks on the company's intention to re-grade the pay structure to produce an average cut of 10 per cent, and impose enough redundancies to make up the £40

The company said that a ballot of 1,845 workers at the end of last

week after compulsory redundancy notices were sent out produced a majority in favour of industrial action by 1,106 to 528.

Mr George Gettevag, a TGWU transport worker union district officer, said that industrial action would continue until the company resumed negotiations on the redundancies, but he declined to specify the measures planned.

David Lascelles talks to the new top man at Britain's largest retail bank
NatWest chief holds focus on the globe

THE MERRY-GO-ROUND at the top of Britain's clearing (retail) banks twirls again next week. After the appointment of new chairmen to both Midland Bank and Barclays Bank in the past two months, it is the turn of NatWest, the UK's largest clearer.

Mr Tom Frost, a 54-year-old Lancastrian, takes over as chief executive from Mr Philip Wilkinson, who is retiring. The challenge facing Mr Frost is to hold and consolidate the lead which NatWest wrested only last year from Barclays at a time when the banking industry is undergoing great upheavals.

This is not a prospect which damps Mr Frost, a genial but ambitious banker who has spent his entire career with NatWest. He is deeply steeped in the famous corporate culture which binds this £80bn institution together. As the bank's chief of business development for the past five years, he has been at the centre of the strategy which put NatWest where it is today.

"My blood is on it," he says of NatWest's masterplan to be the UK's top bank. Only last week, NatWest displayed its power by becoming the first UK bank to follow the US banks' large provisions on 'Third World debt' by £480m charge sets a cracking pace for the other clearers to follow.

There are two broad thrusts to Mr Frost's strategy. One is to establish NatWest as a global institution with a strong position in the world's capital markets and the US. The

other is to build up the bank's share of the UK financial services market where it is well placed with more than 3,000 branches.

The key to NatWest's global plans is NatWest Investment Bank (NWIB), the new capital markets and merchant banking subsidiary which Mr Frost helped set up for last year's Big Bang, and which is now expanding in other markets in the Far East and North America.

"NWIB is the realisation that you can't be a world bank with a corporate client base without offering investment banking products," he says. "The alternative is to retreat and be a UK-based savings-type bank."

Over the next year or two, Mr Frost wants to see NWIB firmly established in the Tokyo market, as well as on Wall Street where NatWest aims to join the ranks of the officially designated treasury bond dealers - the coveted badge of all institutions with global ambitions.

Mr Frost has a strong personal interest in the US market. He organised the acquisition of National Bank of North America in the late 1970s which marked NatWest's entry to New York - and then spent three years stripping it down and reshaping it to NatWest's liking.

Another major acquisition looks likely, probably further to the West. NatWest recently listed its shares on Wall Street, which should make any deal easier to finance locally.



Tom Frost: strong personal interest in US market

"We look to the US to do even better for us," he says. "Our business there will be bigger and produce bigger profits." But steering NatWest towards its global goals, and combining the best of commercial and investment banking, is a bit like driving a battleship. It takes time. "We're past the embryo stage. But we're taking a 10-20 year view."

One thing Mr Frost learnt from his five years in the US was a healthy respect for marketing - not something that figured large in the world of British retail banking where he gained his early skills. He is not inclined to go as far as American bankers who give away teasers and TV sets to people who make large deposits. "But you have to give the customer what he

wants, at the right place and the right price."

Vigorous marketing is one way Mr Frost intends to woo business from other banks, and see off institutions such as building societies which are encroaching on his turf. NatWest now has a huge marketing staff, some of them men and women trained to sell soap powder and soup rather than bank accounts and mortgages.

Brighter branches, greater convenience through use of plastic cards and machines, the steady elimination of paper these are the sorts of improvements Mr Frost wants to push through.

"The retail market is going to be very difficult. It's going to be a war. But we're there. We've got the busi-

ness. People cannot say to us 'Move over' because we won't. We're in front and we're going to stay in front."

To reinforce that view he points out that NatWest spends £50m a year just training its staff. "How many others can spend that sort of money?" he asks.

He predicts that the range of services NatWest will sell through its branches will widen. The bank already offers mortgages, insurance and, most recently, a touch-screen share dealing service.

The completion of a new high-tech communications network linking all the branches boosts the delivery possibilities. Mr Frost declines to elaborate on what new services NatWest might offer, though he rules out estate agency, a route taken by Lloyds Bank.

On the company banking sector, NatWest is setting up special corporate banking branches which are geared to business needs. Altogether 81 of these so-called "business centres" are planned. Mr Frost claims the first ones "are going like a bomb."

Compared with the other chairmen who have taken over leadership of clearing banks this year, Mr Frost has a less gruelling task. He says NatWest is riding the crest of a wave. "I don't have to start the engine. It's running already." But banking fortunes can change with alarming speed, and Mr Frost will be a jealous guardian of NatWest's patch.

Beecham builds for future on its bacteria resistance record

BEECHAM, the UK drug company, has been at great pains to publicise today's official opening by the Queen of its new £40m plant at Irvine, in south-west Scotland.

This is not merely gratification at securing the Royal presence. The plant, besides being the company's biggest single investment, looks like vindicating one of the most vital parts of Beecham's strategy as a drug-maker.

The plant triples the group's output of a chemical with the exotic name of clavulanic acid. Development of the chemical won Beecham the Queen's Award for Technological Achievement last year. It demolishes the resistance of many bacteria to penicillin.

Beecham's role in the commercial development of penicillins is a distinguished one. It was the discovery by four Beecham researchers in 1959 of the penicillin nucleus which made possible the development of a whole range of semi-synthetic penicillins.

The snag about penicillins, as with all antibiotics, is that they create resistance in the bacteria they attack. Dr Ralph Batchelor, one of the four-man team of researchers and now head of Beecham Pharmaceuticals' central coordination unit, gives some alarming statistics.

Take staphylococcus aureus, he says - one of the commoner bacteria. In 1949 only 6 per cent of

strains of that organism were resistant to penicillin. By 1968 the figure was 50 per cent and by 1978 82 per cent.

There is, however, another newer class of antibiotics less prone to such problems - the cephalosporins. First discovered by an Italian scientist at a sewage outlet in Sardinia, these were taken up and developed in the US, by the drug company Eli Lilly in particular.

Beecham, immersed in its penicillin technology, did nothing to follow. It was a decision which was at one time to seem disastrous. As successive and more sophisticated generations of cephalosporins came to the market, it began to look as if Beecham had missed the boat.

Tony Jackson reports on a drug-maker which has injected life into sales of antibiotics

Dr Batchelor is defensive about this. "It was a question of resources," he says. "At the beginning of the 1960s we had around 150 research staff, compared to 2,000 now. If we'd tried to do both we'd have made a cock-up of both."

But the company stuck to its guns. Since 1940, it had been known that bacteria produce an enzyme called beta-lactamase, which breaks up penicillin and makes it harmless. So in 1967 Beecham scientists set out to find something

which would combat beta-lactamase.

Since it also had to be something which could be added to something, it seemed a difficult task. The researchers set up a highly-sophisticated screening system and started to test existing micro-organisms for action against beta-lactamase.

After looking at about 5,000 organisms, they found what they wanted in the vaults of a scientific institution called the American Type Culture Collection. Called

Streptomyces clavigerus, it was an organism discovered in South America soil samples by, ironically, Beecham's great rival in the antibiotics field, Eli Lilly.

Lilly had done nothing with its find, but for Beecham it turned out to be perfect. It formed an irreversible compound with beta-lactamase and blocked it off from the penicillin.

It also combined simply and effectively with penicillin to give a one-shot treatment. "The clavulanic acid by itself doesn't do anything," Dr Batchelor says. "The penicillin doesn't work because the beta-lactamase destroys it, the clavulanic acid doesn't work because it has no biological activity - but put the two to-

gether and clavulanic acid allows the penicillin to work."

Beecham had found a way to rejuvenate its antibiotics portfolio, at the same time extending their patent life by re-patenting the combination. In 1981 the company introduced the first fruit of its work, Augmentin, which combined clavulanic acid with its best-selling penicillin, amoxycillin.

The drug was slow to build up sales. "One of the reasons was that we're much better at marketing in the US now," Dr Batchelor says. "We've only been there since 1984. And in the UK, at first we weren't very good at making clavulanic acid, and amoxycillin was still sell-

ing well - so though we might get a higher price for Augmentin until we had improved the manufacturing we wouldn't get the margins."

In the past year, however, it has really taken off, with sales shooting up from \$79m to \$184m. This still lags behind basic amoxycillin, which managed a 5 per cent rise to £230m and is still Beecham's biggest-selling drug and, the group claims, the most widely prescribed antibiotic in the world.

As Beecham moves into new areas in its drug research - drugs against hypertension and heart attacks, migraine and obesity - it is reassuring for the group that its older scientific strengths have life in them yet.

FT LAW REPORTS

Empty hatch is unworkable

PRESIDENT OF INDIA v SLOBOODNA PLIVIBDA S YUGOSLAVIA AND OTHERS

Queen's Bench Division (Commercial Court): Mr Justice Webster: May 21 1987

AN EMPTY hatch is not "workable" or "available" for discharge of cargo, so that where the vessel is to be discharged at an average daily rate on the basis of a fixed number of available workable hatches but "pro rata" if less number of hatches, calculation of laytime is governed by a contractual rate of discharge which diminishes proportionately as hatches become empty.

Mr Justice Webster so held when allowing four appeals by the charterer, the President of India, from arbitration awards made in favour of Slobodna Plivibda S Yugoslavia and three other shipowners, in respect of the method of calculating laytime.

HIS LORDSHIP said that there were four separate appeals from arbitrators and an umpire in disputes between the President of India as charterer and four different owners of the General Capinpin, the Proteus, the Free Wave and the Dinara. Each appeal concerned the method of calculating laytime at port of discharge.

The relevant charterparty clause provided "cargo to be discharged... at the average rate of 1,000 metric tonnes basis five or more available workable hatches, pro rata if less number of hatches, per weather working day..."

Before the arbitrators the charterer contended that the effect of that clause was that the contractual rate of discharge would diminish as hatches became empty, so that the time permitted for discharge was governed by the quantity of cargo in the hold into which the greatest quantity of cargo had been loaded.

The contention was rejected in all four awards.

In the present appeal Mr Justice Webster relied on *The Sandgate* [1980] 2 Lloyd's Rep 511, which was concerned with the meaning and effect of "150 metric tonnes per workable hatch and

pro rata... per weather working day... 150 Mr Justice Bingham said that holds, being of different sizes and containing different quantities, points would be reached at which successive hatches would cease to be workable because they became empty."

He said: "On the proper application of the clause in this form the time permitted for loading is governed by the quantity of cargo loaded into the hold into which the greatest quantity of cargo is loaded." He relied on *The Sandgate* (1929) 35 L.L.Rep 9 and the *Corfu Island* [1953] 2 Lloyd's Rep 472.

Mr Justice Webster said that "available workable hatch" had to be given the same meaning as Mr Justice Bingham gave it. If it was given that meaning, a hatch was not workable during discharge when it was empty.

Mr Young for the owners submitted that the expression should not be given that meaning because it appeared in a different context. He submitted that the governing words in the present case related to discharge of the vessel at an average rate of tonnes, as distinct from discharge of a hatch at a daily rate.

He adopted the reasoning of the arbitrators in *The General Capinpin* where they said that "Where, as in this case, a figure for the entire vessel is used... one arrives at the total permitted laytime by dividing the total cargo tonnage by the daily rate of the vessel... The difference of emphasis in the two different formulae, one based on a rate for the vessel and the other based on a rate for a hatch, seem to me to make a crucial difference."

There were conflicting dicta on the question whether there was a difference between a formula based on a rate for the vessel and one based on a rate for a hatch. According to dicta of Lord Justice Scrutton and Mr Justice Parker there was a difference. According to dicta of Lord Justice Salmon and Lord Justice Megaw there was not.

Lord Justice Scrutton in *The Sandgate* [1930] P 34, said that discharge "at the average rate of 125 tonnes per working hatch per day" could not be read as a roundabout way of saying

"discharge 500 tonnes per working day out of four cargo hatches, 125 tonnes for each hatch."

Mr Justice Parker in *The Tropaeus* (1981) 2 Lloyd's Rep 159 came to a similar conclusion.

Dicta to the effect that there was no material difference between the two clauses were both to be found in *The Thermes* [1971] 1 Lloyd's Rep 209.

The conclusion of Lord Justice Scrutton and Mr Justice Parker was preferred, at least to the extent that while 200 tonnes per hatch per day, given five hatches, might well be the same as 1,000 tonnes per day for the vessel was not necessarily the same as 200 tonnes per hatch per day, given five hatches. As Mr Justice Parker recognised, discharging might have to take place at a rate of more than 200 tonnes per day through one or more hatches if the vessel was to be discharged at the rate of 1,000 tonnes per day.

The clauses in the present cases providing for a discharge rate per day for the vessel were therefore different in effect from the clause in *The Giannis Xilas*.

The question was whether the difference was such as to give a different meaning to the word "workable."

It could not do so. Although under the present clause it might be necessary to discharge through some hatches at a higher rate than 200 tonnes per day, so as to achieve 1,000 for the vessel, the rate which the vessel had to achieve was none the less governed by the numbers of "available workable" hatches.

The words "basis five or more available workable hatches, pro rata if less number of hatches..." meant no more than that the average discharge rate was to be 1,000 metric tonnes of there were five such hatches, 800 if there were four, 600 if there were three and so on.

There was no reason why a hatch with no cargo in the hold beneath it should be treated as an available workable hatch for the purpose of determining the rate of discharge for the vessel, but not for determining the rate of discharge per hatch.

The question to be asked in the context of the rate per vessel clause was the same as in a rate per hatch clause: "Is a hatch workable if it is empty," or "what is the meaning of 'workable'?"

In each context the question could only be answered by reference to the decisions in *The Sandgate*, *The Corfu Island* and *The Giannis Xilas*, that the hatch over an empty hold was not a workable hatch.

If the answer were otherwise it would mean that "available workable hatches" had one meaning for the purpose of a discharge clause expressed as an average rate for the vessel and a different meaning in a discharge clause expressed as a daily rate per hatch.

There was no reason for making any such differentiation. The charterer's appeals on the first point were allowed.

In the *Proteus* and the *Dinara* the arbitrators selected a contention by the charterer that a hatch was not available and workable if there was no ship's gear to work it.

That conclusion was correct. It followed inevitably from the hypothetical example of a gearless vessel sent by charterers to discharge at a port where discharge had to take place in the stream and where there were no floating cranes. In such a case, if the charterers' contention were correct, laytime would continue indefinitely until the contract was terminated by frustration. That would be an absurd result.

A hatch was not unavailable or unworkable because no gear was available to load or discharge through it. First, a hatch was not the same thing as a piece of gear - it was simply access to space; and secondly there was no authority for giving "workable hatch" or "available hatch" a meaning which related to availability of gear.

The charterer's appeals on the second point were dismissed.

For the charterer: Angus Glennie (Zaiwalla & Co.). For the owners: Timothy Young (Stclair Rocks & Temperley).

By Rachel Davies, Barrister

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UK NEWS

Economists warn of problems if growth continues

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE RECENT strong growth in Britain's economy has not yet brought the risk of 'overheating' in spite of some evidence of capacity constraints and a surge in overtime working in manufacturing industry, a City of London study says.

A report by economists at James Capel, a leading securities house, says, however, that there are some 'early warning signals' which could point to future problems if the economy continues to expand at its present rate.

Recent surveys from the Confederation of British Industry have suggested that in some industries output may be close to capacity. The proportion of companies citing plant capacity as a constraint on output in the Capel study is 25 per cent, only just below the figure at the economic peak in 1973.

The other statistic which appears to support the 'overheating' case is that for overtime hours, which is higher than at the peak of the five previous economic cycles.

The evidence, however, is not all one way. Since 1979 the economy has on average grown by 1 1/4 per cent a year compared with estimated growth in productive potential of 2 1/2 per cent a year.

And only 12 per cent of companies are reporting skill shortages as a constraint on output growth, compared with 31 per cent on average during the previous five cyclical peaks.

The study says that the services sector, which had accounted for around 60 per cent of the rise in output since the recovery began, unlike manufacturing, had enjoyed a net expansion of capacity.

If there were a real danger of overheating - which would imply rising inflation and a deterioration in the trade balance - it would probably have shown up in a rise in the level of pay awards. The latest evidence, however, suggests little if any signs of a pick-up in settlements.

Business confidence 'growing on Merseyside'

BY RALPH ATKINS

BUSINESS OPTIMISM in Merseyside is growing, according to a survey published yesterday.

The survey of more than 140 companies in the area is the second compiled by Arthur Young, the accountancy firm. The first was compiled in November 1986.

The latest results show an improvement in employment prospects, with almost half the companies surveyed expecting to increase

their workforce in the next six months.

There was also a large increase in the number of executives who said they would recommend Merseyside as an attractive location for investment.

Mr Jim Clarke, chairman of the Merseyside branch of the Institute of Directors, said the results confirmed what businessmen in the area had known for a long time.

De La Rue to develop fingerprint security

By James Buxton

DE LA RUE, the electronics and security printing company, has acquired exclusive rights to develop and market an electronic system for fingerprint recognition which could become the basis for future security systems.

The system, invented by a team led by Professor Peter Denyer at Edinburgh University, electronically matches a fingerprint against a memory store of 'authorised' prints.

It could be used to grant entry to buildings or cars, and to give access to computers. It could also replace personal identity numbers for confirming a credit card and cash machine user.

Police forces already have large electronic systems for matching fingerprints, but the advantage of Prof Denyer's device is that it can cope with relatively poor quality fingerprint impressions.

It identifies or rejects the whole fingerprint rather than relying on individual characteristics.

It can also be made into a small, inexpensive device - possibly as small as a cigarette packet.

De La Rue is paying £500,000 to Quantum Fund, which provides venture capital for commercially-exploitable work at the university. Quantum will invest £300,000 to enable the university to build a full-scale demonstrator.

The company hopes to be able to market the product by the end of 1988.

Quantum Fund, which will retain the licence to the technology, was created in 1985 by Investors in Industry (3i). The British Linen Bank, the Scottish American Investment Company, and the University of Edinburgh.

Confidence grows as food industry profit margins rise by 40%

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

FOOD MANUFACTURERS are becoming more profitable and confident as they emerge from the recession and adapt to dealing with powerful retailers, according to the Institute of Grocery Distribution.

Net profit margins rose by more than 40 per cent between 1982 and 1985 says the institute, which is largely funded by the retail industry. It also claims that food makers have taken advantage of opportunities to add value in the factory.

This is borne out by pre-tax margins of 5.37 per cent last year, compared with 3.57 per cent for grocery retailers and 1.51 per cent for food wholesalers and distributors.

The fading of the economic recession is reflected in the falling numbers of food companies going bankrupt or going into liquidation.

The number appears to have peaked in 1984 with 36 food manufacturers declared bankrupt, compared with four in 1981, and 132 going into liquidation.

In the first half of last year, the whole food, drink and tobacco sector suffered only 13 bankruptcies.

Company failure has been replaced as a dominant trend by consolidation and acquisition, and the emergence of new forces in the industry - such as Hilldown Holdings - and greater vigour and innovation in existing majors.

Food manufacturing specialists spent more than £200m on acquisitions last year, compared with £75m in 1983. Although modest alongside the £1.2m spent by drinks makers, and £1.2m in retailing, the institute says this was not because of any lack of activity, but rather that the acquisitions were smaller because of the industry's fragmented nature.

Spending may rise sharply this year, it says, with several large bids and a continuation of the recent pattern of many small takeovers.

Dalgety restructures board for European expansion

BY ALICE RAWSTHORN

DALGETY, the food and commodity group which has been dogged by speculation, has restructured its senior management team. The changes reflect Dalgety's new strategy of expanding its European food business through growth and acquisition.

The restructuring involves the appointment of a group managing director and the creation of a group commercial director with specific responsibility for acquisitions.

The company is also looking for a financial director from outside. This senior team will spearhead Dalgety's expansion within the European branded-food industry.

Mr Maurice Warren, formerly Dalgety's UK managing director, has become group managing director with responsibility for all activities within the UK and Europe. He will also be responsible for Gill &

Duffus, the commodities business acquired in 1985.

The post of commercial director will be filled by Mr Robert Harris, previously commercial director for the UK business. He will take charge of corporate services, including acquisitions.

Dalgety plans to recruit a finance director to replace Mr John Hart, aged 56, who will be succeeded from the company to work as chief accountant of the Prince of Wales's Youth Business Trust, a project to stimulate youth employment and enterprise, until he retires in two years. This is the first time that a Dalgety employee has been seconded to a charity.

Mr James Stirling, company secretary, is retiring. He will be succeeded by Mr Brian Gandy, group pensions manager and formerly assistant company secretary.

Electronics industry backs EC research

By Terry Dodsworth, industrial editor

THE Electronic Engineering Association (EEA), the UK's leading trade association for the electronics industry, called yesterday for the withdrawal of the British Government's lone opposition to the European Community's research budget.

In a letter to Lord Young, Trade and Industry Secretary, the EEA says that further delay on the proposed research programme 'must be detrimental to UK interests.'

It would be difficult for member companies to address market opportunities against competitors in the 1990s 'if we remain isolated,' it adds.

'Continued disagreement will either cause the total delay of the European programme, or result in the rest of Europe moving ahead without UK participation.'

The EEA's intervention in the budgetary row comes at a critical time for the future of collaborative European research. Some companies are claiming that there is now a growing danger of a collapse in several research programmes because of Britain's solitary refusal to agree to the new Ecu 6.4bn (£4.5bn) expenditure plan.

The latest budgetary proposals follow the rapid development of collaborative research projects within the European Community over the last few years. British companies have become strong participants in many of these ventures, which cover a wide area of technology, from factory automation to semiconductor design.

Mr Peter Sachs, director of the EEA, said yesterday that more than 60 per cent of the association's members were taking part in European-backed co-operative projects, a large number of them under the Esprit information technology research programme.

Even if the research proposals were given an immediate go-ahead, he added, it would mean substantial delays of up to six months on the original timetable.

The EEA has timed its letter carefully to put maximum pressure on the Government before the European summit meeting next week.

According to reports in Brussels, both Lord Young and Mr Kenneth Clarke, the minister responsible for EC research, are more amenable to allowing the research programme to go ahead than Mr Geoffrey Pattie, the former Minister for Information Technology.



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BANCO di NAPOLI

The 1986 operating results of Banco di Napoli have been approved by the General Meeting held under the chairmanship of Professor Luigi Coccolini and certified by Price Waterhouse S.p.A.

The Group's total deposits and borrowed funds came to Lit. 51,785 billion, 17.4% more than in 1985; loans and advances amounted to Lit. 41,062 billion, a rise of 22.7%.

Notable achievements were recorded in the field of foreign business, with foreign currency lending rising to 44.6% of total lending by the Bank, the highest percentage ever. Banco di Napoli International, which was already held in high esteem, saw its international standing rise still further.

In the near future the Bank's foreign network will be enlarged by the opening of a representative office in Los Angeles and a branch in Hong Kong to complement those in New York, London, Frankfurt and Buenos Aires.

On the earnings front, gross operating income came to Lit. 497 billion, 47.4% higher than the 1985 figure of Lit. 337 billion; the gross surplus rose to Lit. 523 billion. These results were achieved after the 1986 allocation of Lit. 341 billion to the staff pension fund. A further allocation of Lit. 245 billion was made to the fund under the programme of extraordinary increases that was concluded in 1985.

After appropriate allocations to the provision for bad and doubtful debts and other provisions in accordance with the Bank's traditional policy of prudence with regard to the application of funds, the net profit for the year came to Lit. 54.5 billion, compared with Lit. 17.2 billion in 1985. This enables the Bank to pay holders of savings shares a dividend of 12% of the face value of their shares, which is in line with market expectations.

During 1986 the Bank came to the capital market with a Lit. 500 billion issue of savings shares, thereby almost doubling its net worth to Lit. 1,129 billion. Banco di Napoli established two new subsidiary companies in 1986: Finban, a merchant bank, and Innovat, whose object is to encourage the introduction of new technology, especially by firms in southern Italy. The other companies in the Group were strengthened; the Bank acquired Barclays Bank's interest in BNB Meridionale Leasing and BNB Meridionale Factoring, which thus became wholly owned subsidiaries. It increased the capital of Scilava, which manages the Multifondo and Rendifondo investment funds, to enable the company to launch a new product in the pensions field. Finally, Datalita Processing recorded impressive results in the field of advanced data processing services.

1986 ACCOUNTS

MAIN FEATURES OF DEVELOPMENTS TO 31st DECEMBER 1986 (in billions of lire)

PROFIT AND LOSS ACCOUNT	1982	1983	1984	1985	1986
Net interest income	777	942	1,096	1,235	1,491
Income from trading and services	174	239	310	359	430
Overheads and operating expenses	718	914	1,076	1,257	1,424
Gross operating income	233	267	330	337	497
Gross surplus	190	300	380	430	523
Net profit	7	9	13	17	55
BALANCE SHEET					
Total assets	26,868	35,931	43,212	50,575	60,430
Loans and advances	14,211	19,952	26,022	33,606	41,062
Deposits and borrowed funds	21,743	30,031	36,401	44,124	51,785
Soundly provisions (of which: Funds earmarked for the staff)	918	1,260	1,744	2,235	2,792
	490	614	887	1,288	1,672
Net worth	505	614	612	622	1,129

The pension fund of Banco di Napoli is now consistent with the needs of the institution; thanks to its high earning power, the Bank was able successfully to carry out the programme of extraordinary increases in the fund.

The placement of Lit. 500 billion of savings shares on the market was the first important stage in strengthening the Bank's capital base.

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PARLIAMENT: THE QUEEN'S SPEECH

PM rebukes Kinnock in combative defence of 'radical' policies

BY IVOR OWEN

WITH Government supporters roaring approval, Mrs Margaret Thatcher, the Prime Minister, called on her critics in the Commons yesterday to reconcile themselves to the result of the general election as they deal with "one of the most substantial and radical" programmes of recent years.

The opening stage of the six-day debate on the Queen's Speech was marked by bad-tempered and disorderly interjections from both sides of the chamber with Scottish and Welsh MPs outbidding each other in asserting that the Conservative Party's electoral success — and the Government's mandate — was confined to England.

Mrs Thatcher firmly rejected such arguments as "absurd" and stressed that successive Labour governments had not been able to command a majority of English MPs.

She recalled statements by Mr Neil Kinnock, when a Labour back-bencher, opposing the Callaghan Government's policy on devolution, to re-introduce her condemnation of "separatism" and insisted "We are—and I hope we shall stay—a United Kingdom."

The Prime Minister was equally combative in rejecting Mr Kinnock's allegations at the start of the debate that the Government's policies to improve opportunities for the individual amounted to a return to the Conservative philosophy of the 1930s with ability to pay the key to obtaining acceptable standards of education and health care.

Accusing him of seeking to return to the irrelevant "shibboleths of the 30s" she insisted: "People know very well they have a higher standard of living than ever before."

Mrs Thatcher contended that the Labour policies which had been so decisively rejected were designed to concentrate power in Whitehall and to deprive millions of ordinary people of their shareholding in industry.

She promised: "By contrast we will continue our programme of privatisation, freeing businesses to respond to the needs of the customer, and increasing the opportunities for share ownership."

The Prime Minister stumbled when rebuking Mr Kinnock for mischievous "comments about the fees which will be associated with the changes in education policy outlined in the Queen's Speech."

In seeking to explain that schools which decided to opt out of local education authority control would be financed through the Department of Education she used the word "fees" instead of finance.

This error was seized on by Labour MPs as being of the utmost significance and they momentarily brought the Prime Minister to a halt by chanting "Fees, fees, fees."

Mrs Thatcher impatiently brushed aside the attempt to exploit her apparent slip of the tongue and told her tormentors: "It's no good mouthing fees—there will be no fees payable."

When challenged by Dr David Owen, leader of the Social Democrats, she explained that

any school which opted out of local education authority control would not be able to change its "character" without the approval of the Education Secretary.

Dealing with the legislation to abolish domestic rates in England and Wales and replace them by a community charge or poll tax, Mrs Thatcher maintained that subject to proper protection for those in need "it is right that we should all pay something towards the cost of local services from which we all benefit."

She stressed that the new unified business rate would protect businesses and jobs in inner cities from the councils which obstructed wealth and job creation by imposing very high rates.

The Prime Minister described the spreading ownership of housing, shares, pensions and savings as "one of the greatest achievements" of her first eight years in office and welcomed the endorsement by the British people of the policies which had brought record living standards and better standards of health and social services than ever before.

She assured the House that the control of inflation through sound financial policies would remain our top priority.

Underlining the importance of the Government attached to reviving the private rented housing sector, Mrs Thatcher said it was high time that the virtual municipal monopoly in such properties should be replaced by "individual choice in renting."

Mr Kinnock forecast that the Government would disregard the advice of Mr John Biffen, sacked from his post as Leader of the Commons immediately after the election, to use its renewed power with "circumspection."

To cheers from the Labour benches, he warned that all the signs pointed to the Government using its power "malevolently."

In the process, he said, tenants would have their rents decontrolled and would be left at the mercy of "unscrupulous landlords," and youngsters would be "conscripted into training" regardless of its quality or suitability.

Mr Kinnock, who accused the Government of planning to further increase the "theft" of power from local authorities, insisted that the replacement of domestic rates by a poll tax would mean making people pay for their vote.

He contended that millions of people would be unable to pay the poll tax or unable to pay it without incurring immense hardship because of their poverty, and that it would involve a substantial increase in business costs in many parts of Britain.

Mr Kinnock accused the Prime Minister of wanting to introduce a "fee-paying society" jettisoned more than 40 years ago by earlier Conservative governments as well as by Labour administrations.

Scolding at the concept of choice as advocated by the Prime Minister, he asked: "Where is the choice for the people who must beg or borrow the price of an operation or wait interminably in pain?"

Mr Kinnock branded the Government's policy as "If you have not got the fee you cannot be free."

To Labour cheers, he declared: "That system was buried once by reality and by the needs of a free people. It will be again."

Mr David Steel, the Liberal leader, said the legislation proposed in the Queen's Speech was an irrelevance and would do nothing to heal Britain's social divide. The Government's social policies, he said, were designed to rob the facilities of the poor in order to make life more comfortable for the rich.

He said the Government had won the support of 42 per cent of the electorate, but it had a duty to the other 58 per cent.

The whole tone of the speech, he said, was "designed to enable those with resources to escape from the inadequacies of public provision."

Mr Steel said the Government should try to demonstrate that the social market economy meant capitalism working for everyone, not just the capitalists.

He accused the Government of taking more and more power to Whitehall at the expense of local government and "taking over itself when it should be helping local people to take charge of their own destinies."

Mr Steel said "nothing" could help the economy less "than the plan to privatise the sewerage industry, which would be likely to result in a new private monopoly like British Telecom. And he was scathing about proposals for the inner cities which would result in "Yuppie areas being injected into them to change the political balance."

However, most people confess that their skills and techniques still leave something to be desired. More than a third of people questioned said that unsuccessful repairs were due to either the wrong method or technique being used or the wrong repair materials being chosen.

What, could it really be that she intended to resign after all, scoffed Labour cynics? No, she was just returning once again to the fall in the unemployment figures.

It was a very changed House that the Prime Minister was addressing. Mr David Blunkett, the new Labour MP for Sheffield Brightside, made an impressive maiden speech.

Former Tory Cabinet minister Norman Tebbit seemed quite at home on his return to the back benches and made a spirited intervention over immigration during the speech by Mr David Steel, the Liberal Leader.

But the man with the megaphone, Labour's Andrew Faulds was in his accustomed place rearing at the Tory enemy. He readily agreed with Mr Steel's assertion that the Tories had moved further to the right and were now an even nastier lot.

"Look at 'em. They're living proof of it. A ghastly collection," he bawled.

Some things never change.

John Hunt



House trained: David Blunkett's guide dog Ted cannot stifle a yawn before his master's maiden speech to the House

Government warned on continuing plight of the inner cities

BY TOM LYNCH

THE GOVERNMENT was warned not to overlook the plight of the inner cities in strong speeches yesterday by a former Conservative Cabinet minister and a prominent newcomer to the Labour back-benches.

Mr Leva Brittan (Richmond) the former Trade and Industry Secretary, said the Government should not listen to "political opportunists" who argued that the increasing strength of the Tory Party in the south of England would allow it to govern the UK without tackling the problems of the inner cities and the North.

Mr David Blunkett (Lab, Sheffield Brightside) in a powerful maiden speech pleaded for the recognition of the "political, economic and social diversity" of the UK rather than having policies imposed on local communities by central government.

In the debate on the Queen's Speech, Mr Blunkett, the former leader of Sheffield City Council, rejected the Government's proposal to widen urban development corporations, as a solution to inner city problems.

Instead of centrally directed money going to outsiders, investment should be made available to local authorities to co-operate with local business and community groups to encourage the emergence and development of new industry.

He challenged the Government to return to Sheffield the money it lost in rates support grant, penalties equivalent to the state subsidy for the London Docklands Development Corporation. He said the LDDC had given investors massive incentives such as 200-year fixed rent leases and low price property— "if that was done by the much vilified local government system those councillors would be surcharged and disqualified for neglecting their fiduciary duty."

He urged the Government to stop the "villification and undermining of confidence in local democracy. We don't want solutions imposed as though we were colonies or underdeveloped nations. What we want is the opportunity to do things for ourselves with our people."

Recalling the Prime Minister's wish to eradicate socialism, Mr Blunkett said councils, like trade unions had stood in the way of restructuring of our economic and social life, so that instead of the democracy of the ballot box the democ-

racy of the bank balance will be the operation of our democracy in a Conservative Britain."

He said the reformers of the early 19th century had fought for a democracy based on citizenship rather than property.

Mr Brittan, whose constituency is in Yorkshire, said the divisions between rich and poor areas was still the greatest danger facing British society. The Conservatives had to tackle the problem because their party was "the steward of the welfare of the whole nation."

He said the Government would ignore "at our peril" the threat posed by nationalist sentiment in Scotland. He did not advocate changes in policy but he warned that a different presentation was needed.

The Conservatives should recognise that "a tone of voice or a set of assumptions that may strike a responsive chord in Reading or Ealing may jar disastrously in Edinburgh or Aberdeen."

Many Scots suffered from "an ill-founded but dangerous feeling of being left out in the cold. The shock of our radical approach, our confident espousal of popular capitalism had had to battle against an instinctive reliance on the public sector that has built up in Scotland."

Mr Brittan suggested that development authorities could be set up for some of the English regions and a system of regionally varied income tax and national insurance would help compensate workers disadvantaged by regionally varied pay.

He said a fresh look could be taken at dispersing government departments and agencies to the regions. Some which were unable to move during the last round of dispersals might now be able to leave London because of improvements in information technology.

Mr Margaret Ewing, for the Scottish National Party, called for a constitutional convention of all political parties to be set up in Scotland to debate the future of Scottish government. She said opposition parties had polled 76 per cent of Scottish votes and won 82 out of 72 seats, and opinion poll evidence suggested a strong desire for the return of some democratic control to Scotland.

For Plaid Cymru, Mr Dafydd Elis Thomas criticised as a total negation of Welsh democracy "the appointment of Mr Peter Walker who represents Worcester, as Welsh Secretary."



PARLIAMENTARY POSES: The Prime Minister and Neil Kinnock pass through the members' lobby overlooked by a statue of Churchill during yesterday's ceremonial

Action to reform education and housing pledged by Government

The Queen, opening the new session of parliament, said yesterday:

My Lords and members of the House of Commons,

I look forward with great pleasure to receiving His Majesty King Hassan II of Morocco, and His Excellency President Cossiga of Italy on state visits this year. I also look forward to being present on the occasion of the Commonwealth Heads of Government meeting in Canada in October and to visiting Australia in connection with the bicentenary next year.

My Government will stand fully by its obligations to the Nato Alliance. They will sustain Britain's contribution to Western defence by modernising the independent nuclear deterrent through the introduction of the Trident submarine programme and by increasing the effectiveness of the nation's conventional forces.

My Government will strive for balanced and verifiable measures of arms control. They strongly support the United States' proposals for the elimination of intermediate range nuclear missiles, and 50 per cent reductions in American and Soviet strategic nuclear weapons.

They will strive for a worldwide ban on chemical weapons. They will seek balanced reductions leading to lower levels of conventional forces throughout Europe and the elimination of disparities which threaten Western security.

My Government will work for greater trust and confidence between East and West and for progress, especially on human rights, at the Vienna review conference on Security and Co-operation in Europe.

My Government will play a leading role in the development of the European Community while safeguarding Britain's essential national interests. They will work for reform of the Common Agricultural Policy.

They will press for strict con-

trols on Community spending and the opening of the market in financial and other services. They will work with our European partners to defend our trading interests and to press for freer trade among all nations.

My Government will sustain the fight against international terrorism and trafficking in drugs. They will stand by their pledges to the people of the Falkland Islands, while seeking more normal relations with Argentina. They will fulfil their responsibilities to the people of Hong Kong and will continue to co-operate with the Chinese Government to carry out the Sino-British joint declaration.

They will play their full part in the United Nations and the Commonwealth. They will seek peaceful and lasting solutions to the most difficult international problems, including those of the Middle East and Southern Africa. They will work for the restoration of an independent and non-aligned Afghanistan.

My Government will maintain their substantial aid programme. They will pursue proposals for international action on debt to help some of the poorest countries of sub-Saharan Africa.

Members of the House of Commons, estimates for the Public Service will be laid before you.

My Lords and members of the House of Commons, my Government will continue to pursue

policies of sound financial management designed further to reduce inflation and to promote enterprise and increased employment.

They will maintain firm control of public expenditure so that it continues to fall as a proportion of national income and permits further reductions in the burden of taxation. Legislation will be brought forward shortly to implement the tax changes proposed in the last Budget but not yet enacted.

My Government will consult the Manpower Services Commission with a view to providing a comprehensive employment service for unemployed people. There will be guaranteed places on the Youth Training Scheme for school leavers under 18 who do not go into employment. Legislation will be introduced to enable benefit to be withheld from those who refuse a place.

My Government will take action to raise standards throughout education and to extend parental choice. Legislation will be introduced to provide for a national curriculum for schools, delegation of school budgets and greater autonomy for schools. It will also reform the structure of education in inner London, give greater independence to polytechnics and certain other colleges and support the establishment of city technology colleges.

Measures will be brought before you to effect a major reform of housing legislation in England and Wales.

Main order of business

COMMONS
Subjects for debate on the Queen's Speech.

TODAY: Foreign affairs.

MONDAY (June 29): Social and economic divisions.

TUESDAY: Deprivation and inequality of opportunities.

WEDNESDAY: Cities, local services and education.

THURSDAY: The use of natural resources.

LORDS

MONDAY: Foreign affairs and defence.

TUESDAY: Home affairs and the environment.

WEDNESDAY: Economic affairs and employment.

Prime Ministerial heart shows little humility

MRS THATCHER'S post-election quotation from Kipling about the need for a "humble and contrite heart" seemed to have been forgotten yesterday as she tore into the opposition during the opening stages of the debate on the Queen's Speech.

In fact the Prime Minister was at her most rampant and seemed to be enjoying herself immensely as she engaged in noisy clashes with Labour leader Neil Kinnock and his backbench shocktroops.

Never given to undue modesty she claimed that her programme for the new parliament was "one of the most substantial and radical of recent years."

Moving the loyal address on the speech, Tory backbencher Winston Churchill proudly pointed out that Mrs Thatcher was the first Prime Minister to have won a third successive term since Lord Liverpool in 1820.

Labour MPs thought this a very appropriate parallel as they saw the policies unveiled by the Prime Minister as a clear throwback to the 19th century of the workhouse and the dark satanic mills.

But on the Tory benches MPs seemed only too happy that the Prime Minister

should carry out her pledge to "go on and on" for a fourth term. During the election, said Mr Churchill, certain self-important tele pundits had pontificated that Mrs Thatcher would be standing down during the course of this parliament.

"No, no," protested the Conservative MPs who were shocked at such a suggestion. However, their fears were quickly put at rest. Mr Churchill pointed out that at the probable time of the next general election in 1991, Mrs Thatcher (who is 61) would still be two years younger than Winston Churchill, his grandfather, when he formed his second administration.

Seconding the motion, Conservative MP Andrew Stewart paid tribute to the Nottinghamshire miners who continued to work during the coal strike. This brought a fraternal cry of "scabs" from Miss Diane Abbott, the leftwinger who is one of the four black Labour MPs to arrive as the result of the election.

Mr Kinnock, in a good old-fashioned tub-thumping performance, seemed to favour the horrible 1930s as the period to which we are



being transported by the Thatcher time machine.

With his youth training proposals the Government was now prepared to inflict the kind of punishment meted out to males in his own family during the 1930s when they were made to do forced labour in training camps or lose the vote. It sounded more like Hitler's Germany than Baldwin's Britain.

There was great excitement when Kinnock in full spate was interrupted by the portly Cyril Smith, not noted for regular attendance in the last parliament, snatched slowly into the chamber to take his seat on the Liberal benches.

"I see the honourable member for Rochdale is making his annual visit," observed Mr Kinnock acidly.

Mrs Thatcher was interrupted during her speech by Merseyside MPs inviting her to visit their area to see for herself the deprivations caused by unemployment and the efforts being made to tackle the local problems.

The Prime Minister, who is a great one for quotations these days, replied by citing from the book written by Robert Kilroy-Silk, the Labour Merseyside MP who resigned after a prolonged battle with the fire left. He believed that the biggest deterrent to job creation in the Liverpool area was the activities of the Militants and their ilk.

Others who intervened were treated to passages from the memoirs of Bernard Donoughue (now Lord Donoughue), who was adviser to Labour Prime Minister Harold Wilson and who wrote of the difficulties of getting the Labour Government to face up to the need to cut back on loss-making industries.

Mrs Thatcher once again listed the achievements which she claims for her economic policy. She had, however, saved the best news until last.

PARLIAMENT: THE QUEEN'S SPEECH

FINANCE BILL

Tax relief for profit linked pay

THE GOVERNMENT'S plans for tax changes have changed little since its March Budget. The Finance Bill expected to be presented soon to parliament will consist mainly of clauses dropped from the truncated Finance Act which was rushed through before the General Election.

About half the new clauses cover profit-related pay schemes and a package of measures to extend freedom of choice in occupational pensions. But the bill also includes more controversial measures to close alleged tax loopholes for dual resident companies, Lloyd's syndicates and banks' overseas lending.

About 70 clauses of the original 164 in the Finance Bill published in April have been enacted. Many were technical changes but included the cut in income tax to 27p in the pound, a reduced rate of corporation tax for small companies and an increase in the inheritance tax threshold to £90,000.

The Government is expected to aim to secure the passage of the bill through its parliamentary stages in time for the summer recess.

The wording of these resolutions determines the scope of debate and is likely to be tightly constructed. The bill's passage is also likely to be accelerated by taking its committee stage before the whole house.

Mr Nigel Lawson, the Chancellor, confirmed his intention to introduce tax relief for profit-related pay in a speech in Edinburgh earlier this week.

The measures will allow private-sector companies to set up profit-related pay schemes and, if approved by the Inland Revenue, the participants will enjoy tax relief.

The bill will introduce a new style of personal pensions and break up the life assurance companies, monopoly to provide pensions to individuals.

To allow for the revised pension structure the bill will have to set out details of the tax framework within which personal pensions will operate.

Plans for changing the tax treatment of Lloyd's syndicates are expected to survive largely intact in spite of opposition from those affected.

The proposals relate to the "reinsurance to close" mechanism used by syndicates to provide against future claims when they close their accounts at the end of the underwriting year.

The Inland Revenue wants to treat Lloyd's syndicate accounts on a par with those of insurance companies. In practice this would lead to an increase in syndicates' tax bills.

The Finance Bill is expected to include two new clauses resulting from government policy decisions made since the Budget. This first will allow relief from duty for foreign ships in UK ports on supplies taken on board for use before departure to a destination outside the UK.

The second will introduce legislation to clarify that gains on the disposal of oil licence interests do not qualify for capital gains tax roll over relief.

Ralph Atkins

EDUCATION

Biggest change since Butler

IT SEEMS nothing but personal ambition can now frustrate the ambition of Mr Kenneth Baker, Education Secretary, to go down in history as the initiator of a "great education reform bill."

The measure's advance publicity as the biggest shake-up in education since the Butler Act of 1944 is fully justified by the changes proposed in the running of English and Welsh state-maintained schools, polytechnics and colleges. The changes include:

● Instituting a national curriculum of basic subjects to be taught in every school. Check will be kept on schools' effectiveness in teaching the curriculum by standard tests of pupils' attainments at the ages of seven, 11, 14 and 16, and eventually all school-leavers will be issued with records of their achievements over and above any gained in public examinations.

● Enabling parents and governing bodies of schools with at least 300 pupils to opt out of local authority control. Schools which opted out would be maintained by a direct grant from central Government.

● Removing local education authorities' power to prevent schools which are oversubscribed from admitting pupils up to their full physical capacity. In addition authorities will be required to allocate places on the basis of the number of pupils. The fact that oversubscribed establishments will be richer for being popular may help to strengthen their ability to opt to be funded directly by Whitehall.

● Expanding the powers of head teachers and governors to decide how to spend the budget allocated to them by their local authority.

● Providing for London's dozen central local councils to run their own school and college services instead of having them provided by the Inner London Education Authority.

● Transferring control of the 29 English polytechnics and certain other higher education colleges from the local authority sector to a funding council, including strong representation from industry.

● Continuing the scheme to establish 20 semi-independent city technology colleges, four of which are already under way, with capital from private sources and day-to-day running costs covered by central government grant.

While these plans cover most of the changes promised by Mr Baker there are a couple of items noticeably missing from the speech.

One is the Education Secretary's decision to "clarify the law" as to which elements of educational activity local authorities must provide free-of-charge and which they can require pupils' families to pay for.

Mr Baker said yesterday that, although local authorities of all political persuasions had been charging for such activities for years, arrangements differed widely. His only firm intention was to publish a consultative document outlining present practice and invite comments.

More significant, perhaps, is the omission of any reference to the changes in universities foreshadowed in the higher education white paper published in April.

All Whitehall would say was while the white paper proposals for universities were still going forward, they were unlikely to be included in Mr Baker's first "great education reform bill."

Michael Dixon

THE INNER CITIES

A rough road ahead

THE Government is in danger of tripping over itself in its drive to improve Britain's inner cities, destroy the power of urban (mainly Labour) councils, and win votes for the Conservatives in the north of England, Wales and Scotland. The administrative arrangements are cumbersome, and several of the bills indicated in the Queen's speech are likely to have a rough ride through Parliament.

In all these policies, my Government will have special regard to the needs of the inner cities," according to the Speech. No less than seven departments of state will be involved—Trade & Industry, Environment, Employment, the Home Office, Education, Health & Social Security, and the Welsh Office.

The Prime Minister will chair a group of ministers to manage it all, but several powerful members of her Cabinet have already indicated that they in particular are doing the best of the good work. Lord Young has brought the management of 15 inter-departmental inner city task forces from his old department of Employment to Trade & Industry. They have a budget of some £18m. Their programme operates in highly concentrated areas such as Handsworth in Birmingham and Moss Side in Manchester. At the Department of the Environment Mr Nicholas Ridley has been shown to be the minister with the heaviest legislative programme—rates reform, wresting housing from local authorities, management of the Urban Programme, and some half a billion to spend.

Co-ordination of all departments' efforts in Wales falls naturally under Mr Peter Walker. Over at Employment Mr Norman Fowler will be fostering the growth of small firms, and encouraging the spread of self-employment. Mr Kenneth Baker's new City Technology Colleges are seen as part of the inner city strategy put forward through his Department of Education.

The theory behind the strategy is clear. It is that the problems of the inner cities cannot be solved by "throwing money" at them, but rather by fostering self-help and self-reliance, by promoting the work ethic via the efforts

of the Task Forces, or by direct training and employment measures (the proposal to withdraw the dole from 16-18 year olds who do not accept training is part of this), or through better education.

Since this ideology is not compatible with that of many of the Labour councils to be found in the inner cities, virtually all of the elements of the strategy either bypass local authority control or override it. The new poll tax is advertised in Whitehall as likely to prevent high-spending local authorities from charging rates that drive businesses out—but many people, including the poor, will be losers and the bill will be fiercely contested in both Houses of Parliament. So the Government cannot expect that the administrative disadvantages of a set of schemes run by a proliferation of Whitehall ministries will be offset by local authority co-ordination on the ground.

It is open to question which is the biggest blow against the power and influence of local councils—the plan to allow discredited schools to opt out into independent life under direct Whitehall financing—or the plan to provide much the same liberty for council tenants. The attack on locally-controlled council housing is manifold. Local authority tenants shall be enabled to transfer to other landlords—housing associations, perhaps, or local co-operatives. If they do not do so individually they may do so collectively. In some areas new "Housing Action Trusts" would take over the renovation and management of whole estates, or parts of estates, where the Government believes the local authorities have proved incapable of doing the job themselves. Some officials believe that all local council housing over estates in England and Wales might cease to exist within a decade.

The new trusts are regarded as an extension of the urban development corporation in which tenants pay for their own housing, or redevelopment of an area free of the controls and red tape imposed by most councils. But the UDCs have so far been concerned with industry, not housing. The Housing Corporation, which oversees the locally-managed housing associations



The strategy is clear: the problems cannot be solved by 'throwing money' at them, but rather by fostering self-help

might be a better vehicle—and one more able to insist on sympathetic management. The Corporation has pioneered the injection of private money (70 per cent) into Treasury-funded schemes. It is likely to foster the concept of "affordable rents," in which tenants pay more than the highly-subsidised council rents. Against that, the increase in social security payments ("housing benefit") to those who cannot afford the higher rents could well offset any savings in the other pocket.

Although the protection of

the Rent Acts will be maintained for existing tenants, new private tenants will strike bargains with prospective landlords free of the present system of rent controls. "Short-holds" and "Assured Tenancies" will give landlords the prospect of a recovery of their properties, while protecting tenants against harassment and illegal eviction. This is intended to open up the private rental market. Previous such half-way houses introduced by Conservative administrations have failed to do so, in part because landlords could not be

certain that a future Labour Government would not reverse the legislation.

Taken as a whole the inner city package is an imaginative set of plans, well-presented, and without question radical. No evidence was given in the Queen's Speech that it would be backed up by additional expenditure. It remains to be seen whether seven ministries can move in the same direction—however much the way forward is pointed out by the Prime Minister.

Joe Rogaly

LOCAL AUTHORITIES

Ridley to reintroduce compulsory tendering

THE GOVERNMENT is sticking to its pledge to reintroduce legislation requiring competitive tendering for council services.

It first attempted to introduce compulsory tendering in the Local Government Act, passed by the last Parliament. The measure, however, was shelved in February by Mr Nicholas Ridley, Environment Secretary, because of delays in drafting a Bill on local government finance.

Mr Ridley promised the House that the Government would reintroduce the legislation at the earliest possible date.

The latest Local Government Bill will seek to require its first draft. Besides extending competitive tendering it will strengthen the law that prohibits local authorities spending ratepayers' money on "political propaganda" and stop authorities inserting political conditions in commercial contracts.

The Bill will seek to require compulsory tendering in six areas: refuse collection, street cleaning, catering services, cleaning of buildings and grounds, and vehicle maintenance.

These plans, designed to increase council efficiency, follow suggestion in the Government's consultative paper on local authority services published in February 1985. That report stressed the need to ensure local authorities did not put unnecessary restrictions on private sector tenders.

An increase in competitive tendering will be welcomed by the Audit Commission which monitors local government efficiency. A policy paper published in February said: "All local authorities should be subjected regularly to the test of the market place."

It claimed £500m a year could be saved in housing maintenance, refuse collection and refuse collection if all councils became as efficient as the top 20 per cent of local authorities.

The plans are likely to meet considerable opposition from the local authorities themselves, however.

Yesterday, the Association of County Councils reiterated a joint statement made in November 1985, when compulsory tendering plans were first announced. "We express our opposition to being forced to privatise services," it said. "Compulsion is wrong in principle and in practice is likely to provide less value for money and less protection for service users."

The Association of Metropolitan Authorities said competitive tendering would lead to a decline in services and an increase in administrative costs.

It said: "We argue that councils should be free to make the financial decisions as to how their services are provided and should remain accountable to the local electorate for the extent, quality and cost of these services."

The association added that restrictions on conditions in contracts would reduce councils' ability to avoid "cow-boy operators". The measure aimed at preventing the use of ratepayers' money for party political "propaganda" are in line with a recommendation made in July 1986 by the Widdicombe Inquiry into the structure of local government finance. The report found most authorities used their publicity and information power properly but that some did not.

Ralph Atkins

COPYRIGHT REFORM

Bill seeks to restore the balance

GOVERNMENT plans for a major copyright bill to be introduced in the House of Commons in November will be the first comprehensive reform of copyright in Britain for more than 30 years.

It will seek to restore the balance between creators of new ideas and those who use them, a balance the Government believes has been upset by the widespread use of computers and photocopying, and the arrival of twin-deck tape recorders and satellite television.

The twin aims of the bill are to increase intellectual property rights while at the same time reduce the cost and red tape involved in exercising them.

The new bill will follow closely the proposals in the April 1986 white paper, Intellectual Property and Innovation.

In spite of the opposition of

the Tape Manufacturers Association, the plan is to impose a 10 per cent levy on blank audio tapes more than 35 minutes long with the money going to copyright owners.

Videocassettes will escape the new levy on the grounds that they are used primarily for "time-shifting" television programmes, record then for later viewing, rather than for copying.

The Government is likely, however, to take reserve power to introduce a levy on any recording medium where it believes the interest of copyright owners are being seriously prejudiced.

A new 10-year period of protection is to be introduced for functional designs such as spare parts for cars in spite of claims that the measure would threaten jobs in the spare parts

industry. The existing 15-year patent protection for "ornamental" designs will be extended to 25 years.

The legislation will also contain a significant concession for manufacturers of new drugs. When the period of patent protection for new drugs was extended from 16 to 20 years the pharmaceutical companies had to license their product to competitors for the last four years in return for royalties.

The bill will remove that provision and give drug companies full 20-year protection.

This large and complex piece of legislation will include the legalisation of the recording of most television programmes by schools in return for a licensing fee; the recognition of copyright for computer software and satellite broadcasting; and the introduction of "moral rights"

for authors. Authors will in future have the right to object to distortion of their work. The Patent Office will become a non-departmental statutory body.

There will also be an increase in competition among those offering advice on patents, plus measures to reduce the expense and complexity of patent litigation with small companies particularly in mind.

When he introduced the white paper, Mr Paul Channon, the then Trade and Industry Secretary, said: "The products of the creative mind, although intangible, should be recognised as property which the originator can exploit."

It is a view Lord Young, his successor, would enthusiastically endorse.

Raymond Snoddy

AGRICULTURE POLICY

Farmers urged to diversify for victory

FARMERS will have to accept that a pound earned from leisure facilities on their land is worth the same as a pound earned from milk.

That advice from Mr Michael Jopling, former Agriculture Minister, neatly encapsulates the direction being taken in UK agriculture in the face of the European Community's huge food surpluses. While the UK Government remains determined to work for reform of the Common Agricultural Policy, it is simultaneously urging British farmers to find new sources of income.

Mr John MacGregor, Mr Jopling's successor, said in Southampton this week it would be kidding farmers to

suggest that the EC Council of Ministers could avoid coming to terms with "the harsh realities of agricultural surpluses and overproduction."

"Our aim must be agricultural reform worldwide to bring production and support back to more realistic levels while ensuring a decent standard of living for all in farming," he said.

Legislation will be introduced over the next few months aimed at helping farmers to switch to alternative crops and to diversify into such areas as timber growing, tourism, rural crafts, sporting facilities, farm shops and processing foods.

The Government, which will allocate a total of £25m a year

towards the schemes, hopes to boost farm incomes and create jobs in the countryside, while protecting the environment.

In addition to grants for planting trees, annual payments are planned for farmers who introduce woodland, especially on marginal land previously used to grow surplus crops. Special encouragement will be given for broadleaved trees.

Legislation is expected to be rushed through Parliament so that the first grants for diversification can be paid this year. Money will also be available for farmers to make feasibility studies of alternative land uses.

The Government has already designated several "environmentally sensitive areas" and plans more for next year. These

are intended to protect areas of natural beauty from the effects of intensive agriculture.

● The National Farmers Union believes that although no single measure will have much impact, the package could prove beneficial.

The union is aware of the need for changes in farming, including cuts in output, says Mr Martin Haworth, an adviser to the NFU president. After disillusionment with Mr Jopling, it is more optimistic that Mr MacGregor will take agriculture in the right direction at a time when farm incomes are at their lowest levels since the Second World War.

David Blackwell

EUROTUNNEL

Half-finished legislation to be revived

THE Channel Tunnel Bill will be revived and continue its legislative passage where it left off at the end of the last parliament.

Its designation as a hybrid bill enables it to straddle the two parliaments. Hybrid bills are neither public nor private bills. They tend to be initiated by private interests—in this instance the tunnel builders—but have a public impact.

Eurotunnel, the Anglo-French consortium responsible for the £5bn project, expects the bill to get the Royal Assent at the end of next month. It has been through its second reading and committee stage in the Commons, and is likely to be sent to the Lords standing committee next week.

Eurotunnel hopes to have completed the entire loan package for the project at the end of July.

By the end of last year, two equity issues had raised a total of £250m from institutions. A delayed third issue for £750m, known as "equity 3", is now expected in October or November.

A stop-gap £72.5m loan facility from a group of 10 French, British and Belgian banks was signed in Paris last week. This will be repaid out of the proceeds of the autumn £750m equity issue, on which the whole £5bn project depends.

Construction of the tunnel is expected to start at the end of this year and to be completed by May 1993. Plans for the first rail link consist of two 50 km rail tunnels and an access tunnel.

Fiona Thompson

LICENSING REFORM

Tourist areas expected to applaud change

THE GOVERNMENT'S proposal to allow public houses to open for up to 12 hours a day, except on Sunday, has provoked expressions of concern from medical and temperance organisations.

The intention announced yesterday comes after strong lobbying by Britain's brewers, licensed trade, consumer groups, tourist boards and tourist organisations for more flexible opening hours.

A change in the law is expected to be particularly useful in tourist areas, where demand for more flexible eating and drinking is at a premium. Lobbyists argue that changes could lead to 50,000 new jobs.

Despite attempts at reform,

the licensing laws have remained essentially the same since the Licensing Act 1921: nine and a-half hours' opening untruncated a day with special hours' licences and extensions also available.

In May this year a major change in licensing laws took place in England and Wales. The enactment of the Licensing (Restaurant Meals) Act 1987 enabled genuine restaurants to serve alcohol with food during the afternoon from 3 pm to 5.30 pm on weekdays and Saturdays, and from 2 pm to 7 pm on Sundays.

In Scotland laws enacted in 1976 allowed greater flexibility, along the lines now being proposed by the Government. Earlier this week Mr Douglas

Hurd, Home Secretary, quoted a study by the Office of Census and Population Studies (OPCS) "which showed that the changes had little impact on problem drinking and that drinking habits had become more relaxed."

Mr George Younger, then Secretary of State for Scotland, has said that a preliminary analysis showed that there had been an increase in alcohol consumption in Scotland between 1976 and 1984, but that this appeared not to be a direct consequence of changes in the licensing law.

A more probable cause was a change to a more relaxed attitude towards drinking in general and in particular, towards women's drinking.

However, it is likely that opponents of more flexible drinking hours in England and Wales will critically examine this and other medical research into the Scottish experience.

Consumption of alcohol by women in the UK has gone up in the past decade and could be a focus, along with underage drinking, of the debate.

The British Medical Association, which is to lobby against any change in the law said the Scottish data was questionable because of legal redefinitions of certain drink related offences in Scotland in 1980.

Mr Don Steele, director of Action on Alcohol Abuse, a body set-up by The Conference of Medical Royal Colleges, said the OPCS study was not a

scientific one and much more

research was needed. Opponents of changes in the law will also focus on the Government's spending on education about alcohol's health risks. Critics of the Government's record point out that it spends a small amount on this compared with the £200m which the drinks' industry spends on advertising.

Brewers expect to increase opening hours—not only increasing alcohol sales but also those of soft drinks and food. Action on Alcohol Abuse suggests that a proportion of the increased profits should be directed towards promoting sensible drinking.

Lisa Wood



PARLIAMENT: THE QUEEN'S SPEECH

CRIMINAL JUSTICE

A shake-up for court procedure

THERE WILL be no great surprises in the Criminal Justice Bill which the Government is bringing forward, as it will incorporate the provisions of the bill which partly lapsed because of the dissolution. It will aim primarily at modernisation of procedure with some changes in sentencing and enforcement powers.

There would be an increase in maximum penalties for carrying firearms, for insider dealing and for corruption. A number of minor offences would be reclassified as triable only by magistrates.

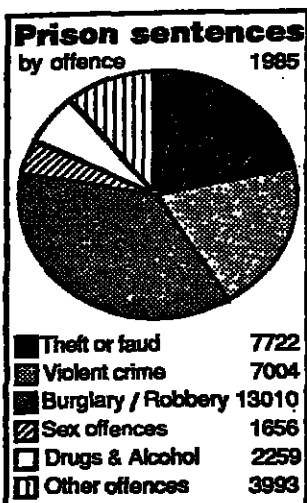
The legislation would provide means for referring too-lenient sentences to the Court of Appeal, though this may fall short of a full appeal.

The proposals of the Roskill Committee that rules governing documentary evidence should be relaxed (taking notice of the existence of copies and facsimile transmission) would be given wider application, not only in fraud cases. Evidence given by live video link would be made admissible in child abuse cases or where the witness is abroad.

A modernisation of the UK law on extradition, dispensing with the requirement of showing a prima facie case where the request comes from a country with a respectable judicial system, would enable the UK to sign the European Convention on Extradition. This would make it easier to achieve the return from other European countries of persons wanted in the UK.

The power to order confiscation of the proceeds of crime would be extended from drug trafficking offences to other highly profitable criminal activities. The proposed legislation would for the first time give victims of crime a right to compensation. This would come either from the criminal or from a new Criminal Injuries Compensation Scheme.

The courts' power to make compensation orders would be extended and judges would have to give reasons why they were not making one when



there was an identifiable victim.

Other, already well discussed changes, concern the jury system and rape trials. The right of the defence, to challenge jurors without saying why, would be removed. Eligibility for jury service would be raised from 65 to 70 but those over 65 would have the opportunity to decline the invitation.

The anonymity of defendants in rape cases would be removed and that given to the alleged victims enhanced. Customs officers would receive greater powers for dealing with suspected drug traffickers.

On the whole, the proposals aim at technical improvements without fundamental changes either in the procedure of courts or in the substantive law.

They are by themselves unlikely to relieve the overcrowding of courts resulting from the greater proportion of prisoners in the population of the UK than in any other country of Western Europe. Nor are the changes likely to change the pattern of too many prison sentences for petty crime and too frequent public outcries against leniency towards violent criminals.

A. H. Hermann

LEGAL AID

The springboard for several far-reaching changes

LEGISLATION to transfer the administration of legal aid from the Law Society to an independent board will follow closely the proposals outlined in the White Paper on legal aid, published in March.

The legal profession and organisations involved in providing legal services are reconciled to the establishment of the board. But, in a letter to the Lord Chancellor published yesterday, they urge that it should be independent of the Government, including in respect of staff appointments, and that the legal profession, trade unions, consumer bodies and welfare organisations should be represented on it.

This may not be in harmony with the Government's intention to use the board as a springboard for far-reaching changes in the method of providing legal advice and assistance. These changes, intended in the first place to bring about a more economical use of the £400m budget, may well sow the seeds for changes in the expectations of clients who are not legally aided and ultimately lead to reduction of their legal costs.

Such a result may come particularly from the introduction of "fixed" fees instead of time fees in civil legal aid—following the method already introduced in the criminal work of barristers. The Government will also seek powers to enable the board to transfer the provision of legal assistance and advice from solicitors and barristers to advice agencies, where these have greater expertise than solicitors.

All solicitors' and barristers' fees for legal aid work would be set by the Lord Chancellor, and those clients paying contributions would continue to pay them beyond the present limit of 12 months.

A. H. Hermann

TRADE UNIONS

Measures in line with green paper

PROPOSALS FOR further trade union industrial relations reform in the Queen's Speech are no surprise—but they will be opposed by no less vociferously by the trade unions for that.

The measures are exactly in line with those proposed last February in a green paper entitled Trade Unions and their Members.

Principally, there are six main elements:

- Allowing members to restrain their unions from calling strikes without a majority support in a secret ballot.
- Preventing unions from disciplining their members if they decide to go to work even after a lawful ballot for a strike.
- Protecting union funds by requiring union trustees not to spend union money in contravention of court orders.
- Removing the remaining

legal support for the closed shop by making dismissal for non-union membership always unfair, and by removing immunity for industrial action to establish or maintain a closed shop.

• Requiring all union executive committee members, whether elected or appointed, to be directly elected in secret, independently supervised postal ballots—with the same provision applying to union political funds.

Mr Norman Fowler, Employment Secretary, confirmed yesterday this requirement meant many more trade union officers, at levels below general secretary, would have to be elected.

• Establishing a commissioner for trade union affairs, who would provide support for union members to bring action in the courts against their unions to obtain their rights under the law.

IMMIGRATION

Controls to be tightened further

LEGISLATION TO "reinforce the system of firm but fair immigration control" will further tighten restrictions on settlement in Britain in four ways.

The proposed Immigration Bill follows government action in the last parliament extending visa controls to the Indian subcontinent, Ghana and Nigeria, and making airlines and other carriers liable to a £1,000 charge for any foreign national brought to Britain without proper documentation.

Provisions of the new legislation will:

Overstayers

• Make it easier for authorities to remove people overstaying their right to be in Britain, however long they have been in the country unlawfully. Since a High Court judgment in 1983, it has been difficult to require the departure of overstayers remaining in Britain long after their original entry permission has lapsed.

A provision making overstaying a continuing offence was contained in the Criminal Justice Bill which was withdrawn before the General Election. It will now reappear in the Immigration Bill.

• End all rights of appeal in Britain by people without entry clearance who claim British citizenship. Most people claiming to be British citizens with a right to live in the country already have to establish their claim abroad.

Appeal rights

However, 18 months ago the Immigration Appeal Tribunal ruled that certain categories of claimant—mainly children—had a right of appeal in the UK. This provision, which has led to 1,700 wives and children being admitted temporarily pending appeal, will end.

• Amend the 1971 Immigration Act so only one wife can be brought to Britain for settlement. The Home Office acknowledges that polygamy is not a common problem, but says it is not acceptable to most people in Britain.

• Change section 1(5) of the 1971 Act, which gives men who settled in Britain before January 1, 1973, an absolute right to bring wives and children to the country. The European Court of Human Rights has held that the provision is sexually discriminatory and the Government says it complicates controls.

Mr Douglas Hurd, Home Secretary, said last month there was a strong argument for change.

Change in rules

Immigration to Britain has fallen substantially from 80,000 people in 1976 to 70,000 in 1980 and 47,000 in 1986. Last year's large decrease resulted from new immigration rules introduced in August, 1986, and part of the effect will be temporary.

During the first quarter of this year 10,800 people were accepted for settlement. This number accepted in the 12 months to March 31, 1987, was 45,700—8,600 fewer than in the corresponding 12 months in 1985-86.

Action was started against 570 alleged illegal immigrants in the first quarter of this year—the highest figure for any recent quarter. This brought the total for the year to March 1987, to 1,700 compared with 1,280 in the corresponding 12 months. A total of 1,160 people was removed as illegal immigrants or departed voluntarily in the year to March, 1987.

Alan Pike

RATES REFORM

A possible election loser

REFORM OF the rating system in England and Wales will present the Government with its first major test in the new Parliament. Unsettled is growing among Conservative MPs that the 150-clause bill will be a political minefield.

The proposals—a radical package aimed at ending the turmoil over local government finance—are:

- Abolition of domestic rates and their replacement from 1990, by a community charge, or poll tax, payable by all adults over 18.
- Introduction of a national business rate set by Whitehall and linked to the level of inflation, which will then be distributed to local authorities on a population basis.
- Simplification of the system of government grants to local authorities.

The legislation will be fought by the opposition with the same ferocity as that displayed in attacking a similar bill for Scotland, passed by Parliament

shortly before the election. Some Conservatives suspect that the party's dismal performance in Scotland was partly due to the proposed switch from rates.

They would prefer to see how the system works in Scotland, after April 1989, before pressing ahead in England and Wales. The fear is that such controversy, that piece of legislation could have a disastrous impact on the party if introduced around the time of the next general election.

The Government's prime purpose in introducing the community charge is to ensure that more people pay for local services, making councils more accountable for their spending policies. At present no more than a third of householders pay full rates and in Liverpool the proportion is less than 30 per cent.

The community charge is expected to range from about £200 to more than £600 per adult, depending on the local authority area. Total exemptions will be extremely rare.

There will be rebates for those on low incomes, although they will have to pay a minimum of 20 per cent of the full charge. A standard charge will apply to domestic property, such as second homes, where no one lives permanently.

The problem for the Government in selling its proposals is that it is not yet clear how people will be affected. Some independent research, like that done by the Chartered Institute of Public Finance and Accountancy (Cipfa), shows that a wide range of people would pay appreciably more under the new proposals than they now pay in domestic rates.

Cipfa believes that as safety nets—introduced to make sure that no rises are too steep—disappear, local tax bills will rise in some parts of inner London to at least £650 a head, fall in outer London possibly to less than £200, rise in the metropolitan areas and fall in non-metropolitan areas.

People living in properties

with low rateable values could face substantial increases, whereas those in expensive properties may well pay less. A rich single person living in a large, highly rated house would pay considerably less than a family of four adults living in a council house.

A big problem in London is that the Inner London Education Authority precept is so high that each adult could be liable to a charge of £311 over and above the local authority charge.

A more widespread difficulty will be the cost of collection. Whatever the drawbacks, domestic rates are cheap to bring in. With the introduction of a community charge, a separate list of adults will have to be kept by each authority, creating a new bureaucracy. (The electoral role will not be used, to avoid deterring people from registering to vote.) A modest estimate is that costs will be at least twice as high as for the rating system.

On business rates, the Government's view is that businesses in the north and in most parts of London will pay lower rates. Companies in the West Midlands and the east of England will pay more.

Cipfa points out that estimates are difficult to make because a revaluation of commercial property is scheduled to coincide with the introduction of the uniform business rate. But it believes that central shops on prime sites in the south-east and south-west will face the biggest increases, while industrial and warehouse premises in the north-east and north-west should see substantial reductions.

Ironically, the Government has found that because the rating system has been so unfair, any attempt to replace it with a more broadly based system is likely to produce more losers than winners. And losers always make the most noise.

Richard Evans

WATER PRIVATISATION

Authorities given time to prepare

LEGISLATION to privatise water authorities in England and Wales, potentially the most controversial part of the Government's privatisation programme, is unlikely to be introduced into Parliament until the next session.

A short preparatory or paving bill will be published around the end of the year, however. This will have two purposes: to clarify the legal position of the water authorities, allowing them to spend money on con-

sultants and studies before flotation, and to permit domestic metering trials on a compulsory basis.

In the meantime, the row over the flotation of the 10 authorities will continue.

The Department of the Environment is about to open negotiations with the industry's leaders over the Government's proposal, made without consultation just before the election, to introduce a National Rivers Authority.

This would take over all

regulatory and river management functions, essentially leaving just the clean water and sewage functions of the authorities to be privatised.

The idea is regarded with deep suspicion within the industry as it would seem to end the system of control based on the integrated river basin.

A consultative paper is to be published by the Government next month.

Also remaining to be decided is the form privatisation will take.

Many industry chiefs, including Mr Gordon Jones, chairman of the Water Authorities Association and of Yorkshire Water, want all 10 to be floated at the same time, but Mr Roy Watts, chairman of Thames, the biggest and most profitable authority, wants to go first and not be held back by the least attractive.

The paving bill was made necessary by union protests last year over the legality of Thames spending money on privatisation

before the required legislative steps had been taken.

Legislation is also necessary to enable widespread compulsory tests to be undertaken on domestic metering in different parts of the country.

Metering is the favoured future method of charging should the present system based on rateable value, be suspended by the proposed community charge as a replacement for rates.

Richard Evans

EMPLOYMENT

Benefit moves to have far-reaching effect

THE GOVERNMENT will introduce far-reaching changes to the way school leavers and the unemployed look for jobs and claim benefits.

Up to 100,000 jobless young people under 18 years old will lose their right to supplementary benefit if they refuse a place on the Youth Training Scheme (YTS).

The Government also intends to transfer the running of job centres, which advertise vacancies, from the Manpower Services Commission (MSC) to the Department of Employment. This will allow for the managerial reintegration of the offices which carry out unemployment benefit with the job centres and allow officials to monitor more closely whether claimants are available and looking for work.

The Government regards both measures as an important way of ensuring that those without work do not lose touch with the job market.

Critics, such as the trade unions and many voluntary organisations, say both moves prestage the development of a welfare system under which benefits would only be paid if an unemployed person proved they were taking steps to find work.

The controversial changes to young people's benefit entitlements represent a shift away from the welfare system established after the Second World War.

Mr Norman Fowler, the Employment Secretary, believes that the Government's guarantee of a YTS place to all school leavers is no justification for most of them to claim benefits.

Those with special needs, such as disabled people, and some youngsters waiting to start courses or a job might be paid a temporary allowance. It is understood, however, that the Government does not plan to introduce a six-month job search allowance of the kind recently introduced in Australia, for all those young people on the training scheme.

The change will certainly affect the 30,000 school leavers who do not go on to YTS.

Further education or into work. It could also affect many of the 70,000 youngsters who take up a place on YTS but then drop out. Already 50,000 unemployed school leavers do not claim benefit.

YTS has enough spare capacity to accommodate an influx of school leavers anxious not to lose their benefits. The scheme has about 450,000 places, but only about 350,000 young people enter it each year.

The plan to transfer responsibility for job centres to the Department of Employment will take the employment service back to its pre-1973 structure. The move could lead to a significant cut in registered unemployment, by allowing officials to check whether benefit claimants are available and searching for work.

The Employment and Training Act 1973, which established the MSC, separated jobs advice from benefit payments. This separation has been associated with a dramatic fall in the number of people refused benefits because they are not looking for work, according to research published by the London School of Economics.

Unemployment benefit offices and are already working together on the Restart counselling programme introduced last year. Long-term unemployed people who refuse Restart counselling are automatically refused benefits. A significant proportion of those interviewed are transferred from unemployment benefit to other welfare payments and are taken off the official unemployment total.

Mr Fowler will write to the MSC next week to consult it formally on the plans, which may include measures going beyond the activities of job centres. The Conservative election manifesto said the MSC would become primarily a training organisation, implying that the Department of Employment will also take direct responsibility for the Community Programme, which provides temporary work for 245,000 long-term unemployed a year, and the Enterprise Allowance Scheme, which helps 110,000 unemployed people each year to set up their own businesses.

The Government's package, coming after the introduction



The plan to transfer responsibility for job centres to the Department of Employment takes the service back to its pre-1973 structure.

The move could lead to a significant cut in the unemployment figures

of the Job Training Scheme on which trainees are paid an allowance worth little more than their benefits, will be seen by the trade unions as a determined push towards a workforce system.

Combined with Government proposals to double the number

of employers on the commission which oversees the MSC's programmes, it becomes more likely that the unions will withdraw from the MSC's decision-making process.

Charles Leadbeater

SHIPPING

'Dad's navy' to run up its colours

THE GOVERNMENT is to attempt to tackle some of the problems arising from the rapid decline in the British merchant fleet over the past decade, with a proposed Merchant Shipping Bill.

A Merchant Navy Reserve, a "dad's navy" of former seafarers, is to be formed by the Government to provide a pool of experienced manpower for use of British merchant ships in time of emergency, including war.

The Government is also to provide financial assistance towards the cost of training seafarers and towards the cost of flying out and repatriating relief crews for British ships operating in distant waters.

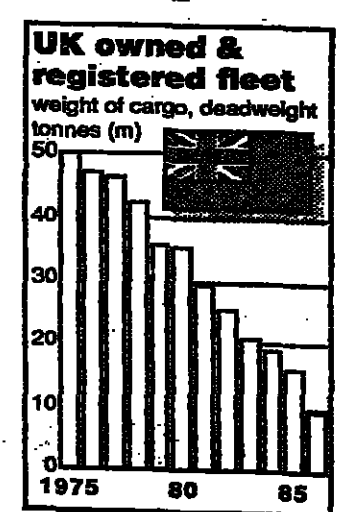
Another provision of a bill to be laid before the House in October is a long-delayed proposal to amend the law on ship registration, with the aim of applying common safety standards to British ships sailing under the flag of British overseas dependent territories. The Bill will also put the

General Lighthouse Fund, which supports British light-houses on a more business-like basis by providing borrowing powers and making other administrative changes.

The Merchant Navy Reserve is designed to enhance the readiness of the British merchant fleet to meet possible future defence needs. In the Falklands conflict in 1982, a total of 51 British merchant vessels were requisitioned by an order for military use.

The requisition order defined British ships as those on the British register. The total number of British owned and registered merchant ships fell by 70 per cent from 1,614 ships in 1975 to 496 ships last year.

The Government is concerned that a substantial number of additional ships is owned by British shipping companies but is operated under foreign flags, which have lower crew costs than British-registered vessels. The Government wants to have available a pool of experienced seafarers who could be brought



in to crew these and other vessels so they could be used by the Royal Navy for supply, transport and other uses. The Reserve will also attempt

to reverse the rapid decline in the number of seafarers being trained in Britain. The General Council of British Shipping said 1,223 sea cadets were recruited in 1975, compared with 656 cadets in 1981 and 102 last year. The total number of cadets under training in 1981 was 5,300 and this fell to 700 cadets last year.

In 1978, a total of 1,745 ratings were recruited from training schools, but this has fallen to an annual rate of 250 this year. The only Government funding received for the training of merchant navy crews is the £325,000 a year support from the Science for the National Sea Training School. Gravesend. The shipping industry provides the same amount year. Officer training is supported at polytechnics and other colleges in the same way as other higher education students.

Lynton McLain

Olivetti announces the PCs that respect your right to make your own decisions.

The arrival of the personal computer revolutionised the way businesses were run, bringing speed and efficiency that were previously unthinkable.

That revolution, like all technological revolutions, was producer-led. But the world since the revolution has changed. Business accepted and exploited the new technology. It invested in it, often heavily. The business customer today is literate in the new technology, and is articulate enough clearly to communicate his needs. Olivetti believes that the responsible producer should listen to him.

Systems evolution

A major evolution in recent years has been in the role of the PC itself, from a stand-alone machine into part of a system. And this evolution is closely reflected in Olivetti's approach. For Olivetti, PCs are conceived as the building blocks of a system.

This user requirement for a systems approach has demanded increasingly powerful and sophisticated technology. The consumer has, in a sense, retaken the initiative. How should the producer respond?

Olivetti's view is clear. Today's user is not only technologically literate but also financially committed. Naturally, he expects products that will offer him all the benefits of state-of-the-art technology.

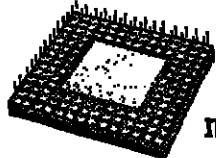
But he also has a right to expect products that will leave him free to enter and structure the system as and when he wants to. He needs a high degree of



interconnectivity, workstations that offer the best possible price/performance ratio. And he wants to be free to work with the market standard of his own choosing.

This is what Olivetti has set out to give him with its new PC offering.

Power and flexibility



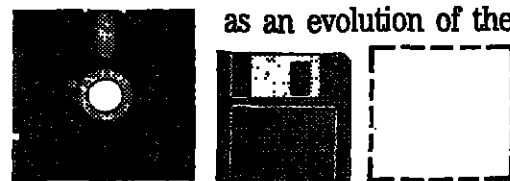
At the top of Olivetti's new PC range will be three models using the powerful 80386 microchip. These will be the fastest, most powerful PCs available, reflecting the trend for the PC to operate as server in local networks that can in turn be integrated with minicomputer environments.

These new models range from the M 380/T tower model to the M 380 and the compact M 380/C desktop workstations. The M 380 line will be flanked by a series of new PCs available in a

wide range of configurations. These will include the M 280, a powerful and extremely fast personal based on the 80286 chip with the potential for multi-tasking, the S 281, another 80286-based workstation specifically designed to operate in LAN environments, and the M 240, a potent workstation that represents a natural evolution of the highly successful (and widely emulated) M 24.

Compatibility commitment

The new models have been developed as an evolution of the



existing Olivetti PC range. They are all fully compatible with market standards. (They offer, for example, a free choice of 5.25 and/or 3.5 inch floppy disks.) Indeed, it is Olivetti's firm intention to

guarantee full compatibility with current market standards. Whatever they may be. The new models will thus take their place alongside Olivetti's existing PCs (including the recently introduced portable M 15) to offer the customer a complete range of choice in planning his systems.

They offer him full compatibility with his installed base, high computing power, integrated, ergonomically valid configurations and a modular approach that will allow him to expand the system exactly according to his needs.

Complete solution

As well as respecting the customer's existing investment, Olivetti is committed to protecting and supporting it in the future.

The completeness of the new Olivetti PC range is matched by the completeness of Olivetti's global offer, which embraces the whole spectrum of PC-related products, from software to printers.

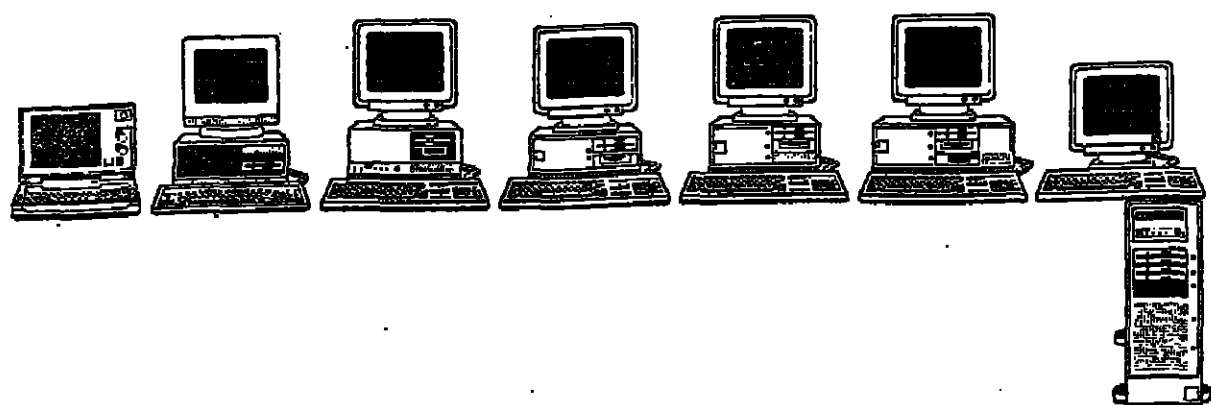
In addition, Olivetti's highly-qualified dealer network and internal staff are at the disposal of clients to assist in interpreting their needs and to provide full after-sales back up service.

The new Olivetti PC offering has thus been conceived to give the user the maximum freedom of choice.

To leave him free to grow and evolve rather than to tie him down.

That is why we see the new Olivetti PCs as the choice of freedom.

olivetti



OLIVETTI PERSONAL COMPUTERS. CHOICE OF FREEDOM.

TECHNOLOGY

Electronic eye on a sea of people

David Dodwell explains how Hong Kong has streamlined its overworked immigration system

THOSE fearsome black tomes pored over by Hong Kong's immigration officers as they leaf suspiciously through visitors' travel-battered passports will soon be a thing of the past.

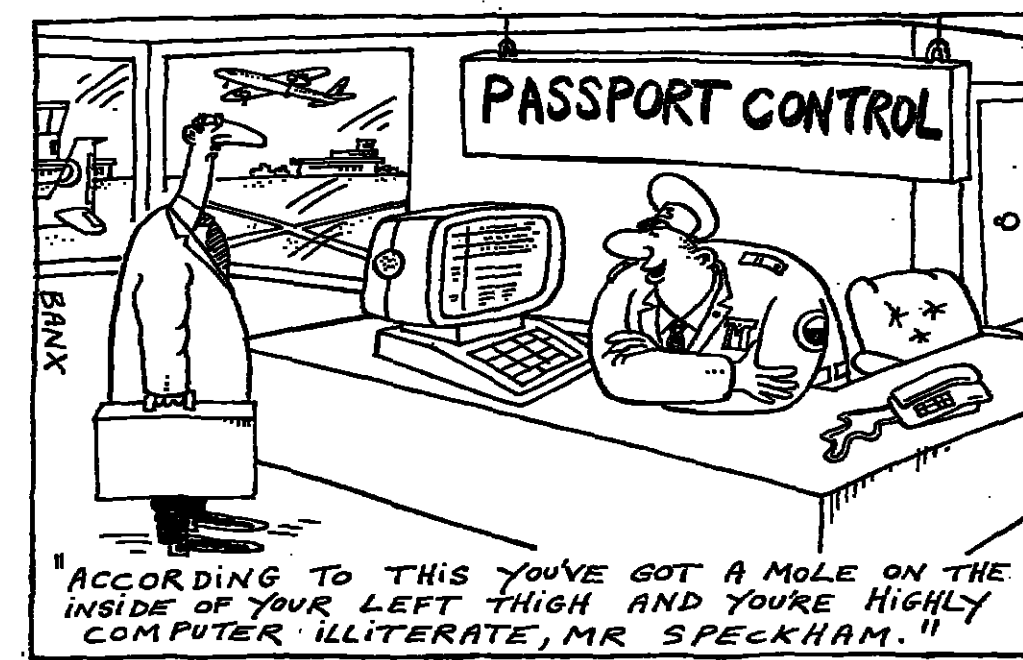
That is not to say that the infamous "stop lists"—the black-bound compendiums of all those people sought by Hong Kong's police or tax authorities for crimes ranging from fraud to non-payment of tax—have been abandoned. Instead the operation has been fully computerised.

From the beginning of May, Hong Kong switched on one of the world's most sophisticated computerised immigration systems yet to come into operation. First to be affected were travellers to Macao, most of them gamblers in the Portuguese territory's dog-eared casinos.

The big move will be on August 1, when terminals on the 88 immigration channels at the Lowu border crossing with mainland China are brought on stream. Almost 19m people passed through Lowu last year. During peak times, trains carrying 1,500 people at a time arrive at 12 minute intervals.

Immigration staff at Lowu say the new computers will enable them to trim from 30 seconds to 20 seconds the time it takes to handle the immigration formalities of each traveller. That may seem a modest improvement, but when staff have to handle 128,000 travellers a day during the Easter and Chinese New Year peaks, senior officers say it will make the difference between nervous breakdowns and no nervous breakdowns.

The new computer system is being advertised rather glibly as the "Easy Travel Scheme."



However, over the three years of planning that has taken place in the Immigration Department's headquarters at the Mirror Tower in the heart of Kowloon, it has been known more ominously as "Tralces"—the Travel Record and Immigration Control Enforcement System.

It will be June 1988 before computers are turned on at Hong Kong's busy Kaitak Airport. Even then, full use of the HK\$90m (US\$11.5m) computer system will not be possible until more foreign passports are computer readable.

Main beneficiaries of com-

puterised immigration control will be Hong Kong residents—more specifically, carriers of Hong Kong identity cards. Permanent Hong Kong residents can now travel to Macao with nothing but their ID cards, and have no forms to fill in. From August, travel to China will be just as simple, though travel overseas will require, in addition, the use of normal travel documents.

Since over 70 per cent of the 45.5m people passing through Hong Kong's border checkpoints last year were Hong Kong residents, they have inevitably been given priority over foreign travellers.

Foreign passport holders will still have to complete arrival forms, and will have their passports examined manually. But the "stop-list" check to find out whether a particular traveller is persona non grata in Hong Kong will be carried out on the computer screen.

The system is understood to be one of the most comprehensive in Asia, and is expected to reduce significantly the long queues that have for years been an unglamorous hallmark of visiting Hong Kong.

In Singapore, a limited computer system handles travellers across the causeway into Malaysia. In Japan and Taiwan,

foreign travellers are checked through immigration by computer, while in South Korea, computers are used as an aid for detecting people on the country's "watch list."

The Hong Kong Government has yet to confirm plans to introduce computerised "readers" that will process computer-readable passports. The new system's IBM 4381 Group 12 mainframe computer has the capacity to process such passports, but immigration officials are not yet certain that enough countries plan to introduce computer-readable passports for such an investment to be worthwhile.

The US, Australian and British Governments are among those to have introduced computer-readable passports on an experimental basis, but only when such passports are widely and routinely used will the full capabilities of Hong Kong's immigration computer be used.

Over 1,500 immigration staff have to be trained to operate the new computer terminals (there will be almost 450 terminals in total) and it is for them that computerisation will mean the most.

As Lee Man-Chee, an assistant principal immigration officer who has worked on the computer project since 1984, notes with obvious satisfaction: "That great black book will be banished for ever."

This will lighten the load of every officer as he or she arrives for duty, but may reduce their ability to wage psychological warfare with visitors slouching wearily in the arrivals queue at the end of one 15-hour flight or another. No doubt new computerised methods of waging war will quickly be found.

WORTH WATCHING



Edited by Geoffrey Charlish

French lend a soft touch to factory control

FRENCH SOFTWARE company STP of Paris has developed computer-aided design programs which, used on an IBM personal computer, allow control systems to be developed.

The programs mean several stages of design can be undertaken. For example, a control system can be described and visualised in terms of flow diagrams, after which its working modes can be analysed. Other software allows the whole system (an automated production line for example), to be simulated, while further programs enable more conventional tools like relay ladder diagrams to be used on screen.

Coming up on the enemy's blind side

ATTACK AIRCRAFT can approach targets at low levels, without the need for airborne ground-following radar, using a new system from Ferranti Defence Systems in the UK.

An attacking aircraft always goes in at low levels in order to get under the enemy radar and avoid detection. But it has to know whether there are hills or buildings ahead and will normally carry a radar that looks at the approaching terrain. Unfortunately signals from this radar are likely to alert the enemy to the incoming aeroplane.

The Ferranti system, called Penetrate, has a memory in which three dimensional details of the ground ahead are held. Used in conjunction with a radio altimeter and in-

ertial navigation system (which emit no detectable signals), this "solid map" allows the attack to be pressed home without detection.

Smart move by Californian chips

CATALYST SEMICONDUCTOR Inc (CSI), the two-year-old Californian company which specialises in the design of semiconductor chips for smart cards, is making its products available in the UK through Microlog of Woking.

One of the components is an eight bit microprocessor with 16,000 bits (2,000 characters) of electrically erasable, programmable read-only memory (EEPROM). The advantage of this type of memory is that the information stored on the card can be altered when the card is plugged into a reader and connected to a computer.

In the US, CSI has already won contracts with Smart Card International (SCI) for the EEPROM chips. SCI is a major proponent of the smart card in America and has supplied cards for hospital medical record applications.

In the UK, Microlog is trying to interest the banking and financial community in general by emphasising the operational flexibility of cards with EEPROM chips. For example at any time the holder can change his personal identity number. Or, if fraudulent use is suspected, the card can be invalidated from the bank's system computer the next time it is plugged in.

Smart cards, pioneered by the French, have been slow to catch on in the UK and US, where the banks remain wedded to magnetic-stripe cards. But CSI believes that fraud reduction alone would justify the cost of cards with chips in them.

Networked order to NHS supplies

ISTEL THE UK information technology company reports that its Ediet trading network service is gaining more support with the country's National Health Service.

The aim of Ediet is to cut out paper transactions between the geographically separated parts of an organisation or between companies and their customers or suppliers.

In the NHS, two of the Wessex Health Authority's

supplies divisions are now electronically exchanging live invoices, orders and texts between themselves and supplying companies Johnson and Johnson, Kodak and Cyanamid.

One advantage is that the time between ordering and receiving purchased items can be reduced from up to two weeks to three or four days. The commercial manager of Southampton and South West Hampshire Health Authority, Mr Peter Wells, sees a potential saving in inventory of £13m if only a third of the NHS's supplies are dealt with in this way.

Recently, both Trent and Northwest Thames regional authorities have agreed to use the service.

Sun expands on the CAD/CAE front

SUN MICROSYSTEMS, the major US workstation manufacturer of Mountain View, California, has recently struck two deals with computer-aided design and engineering (CAD/CAE) companies.

One is with Rascal Redac, the leading 3D writer of CAD software for designing electronic circuits. This company's popular Visula CAD software (1,200 systems sold) will be offered for use on Sun workstations. As a result, Rascal Redac expects to land between \$15m and \$20m in software sales to Sun workstation users over the next two years.

Sun's other deal is with Valid Logic Systems, another Californian CAD/CAE company. Valid will be offering complete systems for electronic design using Sun workstations and will purchase at least \$10m worth of them over the next 18 months.

CONTACTS:

Catalyst Semiconductor: US, (408) 980 9144. Microlog: UK, 04362 29551. 31P: Paris, 4526 7500. Ferranti Defence Systems: UK, 031 332 2411. Rascal Redac: UK, 0684 294161. Valid UK, 0753 820101. Elektrak: London, 403 6106. Istel: UK, 0527 64274.

Shearson Lehman plugs into City flexibility

BY GEOFFREY CHARLISH

IN THE UK, Shearson Lehman, the financial consultancy, is wiring up all eight floors of its new City of London headquarters building for mains supplies using the Elektrak floor access system.

Some five miles of power track will be installed and power outlets can be sited anywhere along a run of track

under the floor. The advantage is that offices can be completely re-arranged with no electrical contracting work. Elektrak says it has taken two men eight weeks to deal with the first six floors and claims this is about the same time it would take to wire one floor conventionally.

An Indian summer for US glass

BY PETER MARSH

THE INDIAN Government is to finance a new plant to produce solar panels, using an innovative method in which solar cells are turned out continuously on glass plates.

The Bangalore plant, costing about \$5m, will be capable of making 100,000 panels a year, each measuring 1 ft square. In use, each plate will produce five watts of energy.

The facility, to be operated by Bharat Heavy Electricals, is

to be built in Wheat Ridge, Colorado, by Glasstech Solar, a US company which has come up with a new technique to make solar cells based on amorphous silicon.

In Glasstech's method, silicon is deposited as a plasma on glass sheets which travel continuously through the plant. Most techniques for making solar cells, in contrast turn out panels on substrates of substances such as steel, in discrete batches. US companies

which make silicon solar cells by such methods include Energy Conversion Devices, Chronar, Solarex and Arco Solar.

Glasstech, which was started in 1984 and has 45 employees, says its method lends itself to automated techniques and cheaper cell production. Once the plant has been finished in Colorado, it will be taken apart and shipped to India, where production is due to start in about two years.

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FT/10

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 and
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 with effect as of 23rd June, 1987.

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BBC Brown Boveri Finance (Curaçao) N.V.
 Willemstad (Curaçao), 26th June, 1987

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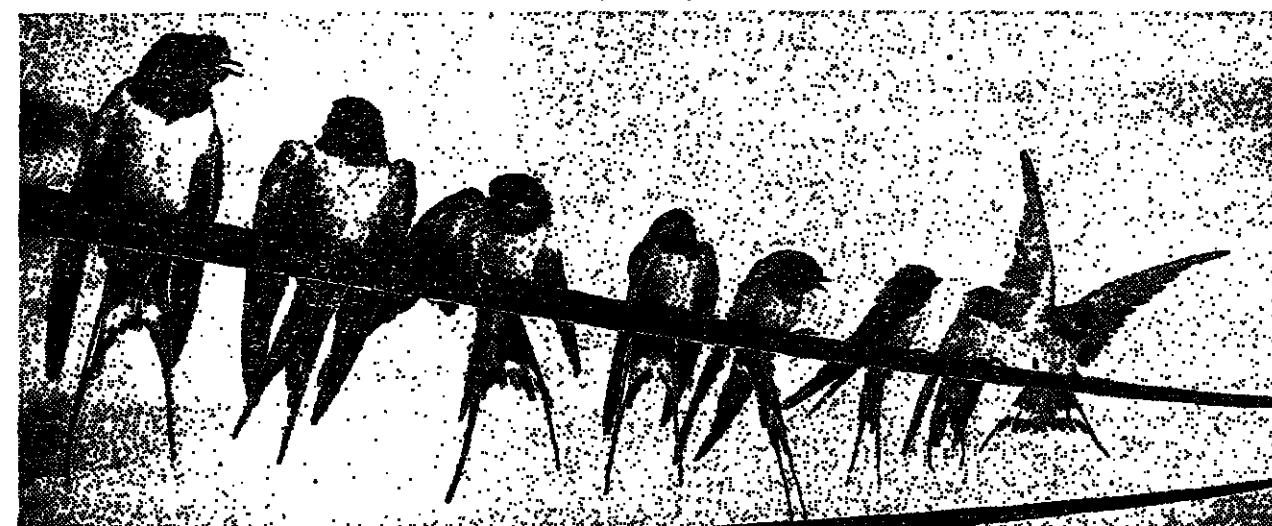
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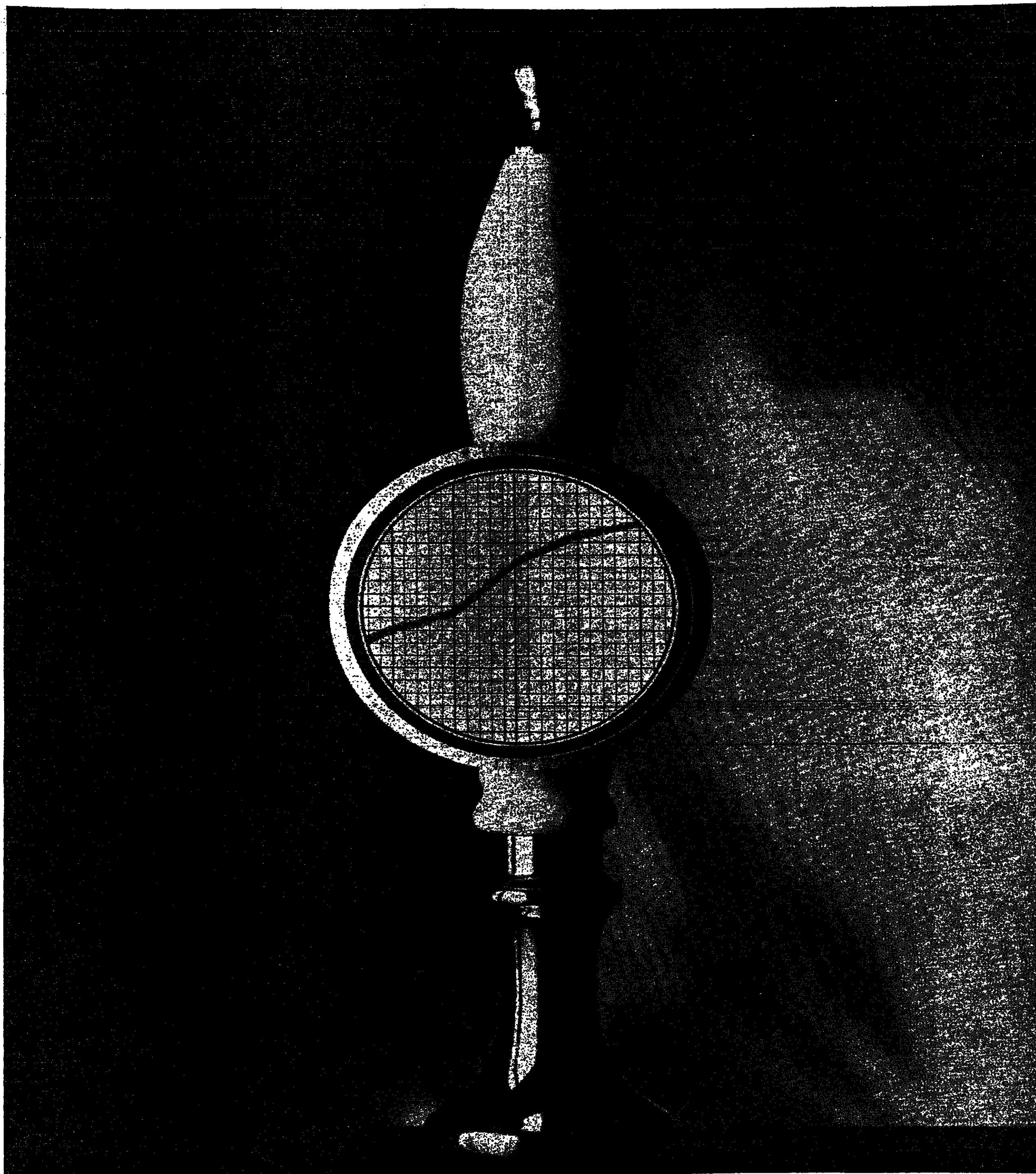
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NEW ISSUE

25th June, 1987



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Deutsche Bank Capital Markets Limited

LTCB International Limited

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SWEDISH MINING

Sara Webb on the Swedish compressor group's recent takeover
Atlas Copco tools up for the US

FOR ATLAS COPCO, the Swedish mining, construction, and industrial equipment manufacturer, the US is back in favour.

After its earlier failure to achieve a strong position in North America, and the more recent toll taken on its balance sheet because of the dollar's fall, Atlas Copco decided that it was time to make a strategic acquisition in the US market.

Mr Tom Wachtmeister, group chief executive, believes that he has taken the right step towards strengthening the group's US position since Atlas Copco recently signed a final agreement to buy part of Chicago Pneumatic from Danaher Corporation for \$88.5m.

The part of Chicago Pneumatic which interests Atlas Copco is the tools and equipment section, which accounts for roughly one-third of its operations. Danaher Corp, which only took over Chicago Pneumatic in mid-1986, is left with the automotive service and repair operations.

The acquisition was intended to geographically complement Atlas Copco's tools division, which makes equipment such as hand-held power tools and assembly systems for the manufacturing industry.

Tools and the Monsum-Tison division—which markets mobile control systems and industrial automation—comprise the newly-formed industrial group within Atlas Copco, providing a more powerful base for expansion in the industrial automation business area.

The tools division is by no means the largest in the Atlas Copco group. It only accounts for 10 per cent of sales—or \$150m last year—compared with the air power division which makes compressors and accounts for half the group sales and profits, and the MCT (mining and construction technology) division which accounts for a further 35 per cent of sales.

Nevertheless, the acquisition of part of Chicago Pneumatic will double the tool division's turnover and turn it into one of the world's leading pneumatic power tool companies.

"We have been looking for an acquisition to make the tools division stronger. We decided we needed a 20 per cent share of the world market and of the US market in order to be strong," says Mr Michael Treschow, head of the tools division.



Tom Wachtmeister: primary task to make a quick turnaround

Mr Wachtmeister makes no bones about the fact that Chicago Pneumatic's chief attraction is its market share in the US and Canada and extensive distribution system. As Mr Wachtmeister puts it: "Our experience in the US is that it is very difficult for a foreign company to enter the market."

He concedes that the company needs to be aggressive if it is to succeed in increasing market share, especially in the US where Atlas Copco has only 5 per cent of the tool market, compared with Ingersoll-Rand, Atlas Copco's most important competitor in the US, and

Chicago Pneumatic which each had 20 per cent. Atlas Copco will keep the Chicago Pneumatic name and its current president, Mr Jess Ball.

Atlas Copco's home market is Europe, which last year accounted for 54 per cent of the group's total sales of SKr 10.35bn (\$162m), while the US accounted for 12 per cent, South America 10 per cent, South-East Asia 8 per cent, and Australia 4 per cent.

Two-thirds of the tools division sales are in Europe, and only 11 per cent in the US. Last year, invoiced sales for tools rose by 14.5 per cent, helped by substantial orders from the West European automotive industry. However, the market for power tools has been weak and Atlas Copco found demand in the US hit by lower manufacturing productivity and reduced competitiveness. Analysts expect demand in North America to weaken further chiefly because of lower levels of investment in the car industry.

The tools division has been put back on its feet after making only small profits in the early 1980s and last year showed profit after financial items of SKr 108m. With a 23 per cent return on capital employed, Mr Treschow says they felt fit enough to start making acquisitions.

What Chicago Pneumatic offers is a strong position in the US and a well-developed distribution system. The US accounts for 80 per cent of its sales and it has a strong presence in Mexico, as well as subsidiaries

in Italy, France, Belgium, West Germany, Switzerland, the UK, Australia, South Africa, Japan and India.

Atlas Copco had to pay fairly dearly for the acquisition. "It was not a bargain, but then it has a strong name and strong assets," said Mr Treschow. "After this, we don't plan to make further acquisitions for the tools division."

The primary task, he says, is "to make a quick turnaround out of a cost situation." Chicago Pneumatic is expected to lower the return on capital employed from 23 per cent to 18 per cent.

The company has produced weak results. Last year, the

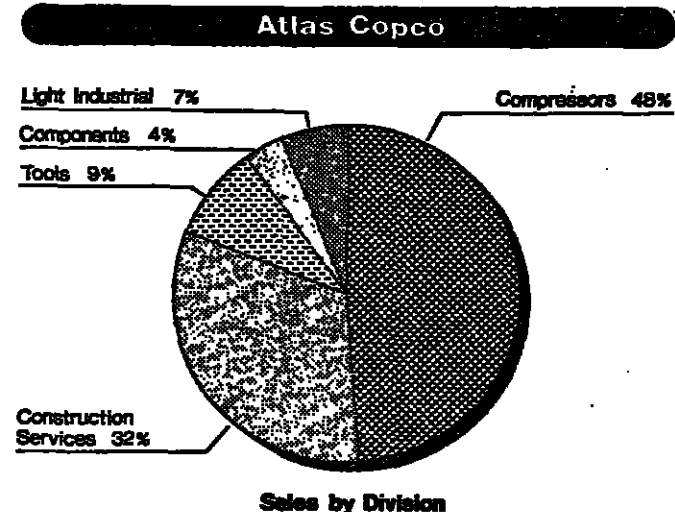
It is very difficult for a foreign company to enter the US market

part which Atlas Copco acquired had a turnover of \$160m, split between tools (\$120m), systems (\$20m) and spare parts and components (\$20m). Pre-tax profits were about \$2m but Atlas Copco hopes to raise it to the group's profit level within five years, for example by restructuring with plant closures, redundancies, and changes in management, and has made a strong comeback.

Atlas Copco itself faced problems in the early 1980s because of the collapse of its main markets—mining and construction. The group underwent drastic restructuring with plant closures, redundancies, and changes in management, and has made a strong comeback.

Last year, profits after financial items reached SKr 730m on sales of SKr 10.5bn, although Mr Wachtmeister says that more than SKr 200m was wiped off the profits due to unfavourable currency movements. Analysts expect results for 1987 to be virtually unchanged.

The group compounded its earlier troubles with what it admits were unwise and expensive US mining industry acquisitions when the US represented 30 per cent of the world market—and then the market slumped. However, Mr Wachtmeister says: "This time we have chosen another field in the US and we believe the timing is right."



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digital

THE PROPERTY MARKET By PAUL CHEESERIGHT

What the Ohbayashi deal means outside the City

OHBAYASHI has unwittingly posed a question. When it closed the deal to buy the Financial Times headquarters in the City of London for £14m cash from Pearson, the price it paid looked, indeed it was, colossal. So does it matter outside the City?

"It was the most massive punt I've ever seen," comments one City merchant banker. "It is so much out of the realms of reality as far as we are concerned as to be worthy only of wonder," says Mr Tom Marshall, a partner at W. H. Robinson, the Manchester surveyors.

The move works like this. Ohbayashi, a Japanese construction group, pays the money, waits to obtain planning permission for redevelopment, spends another £40m or so and could have the building ready for a tenant by, say, 1991. But that tenant would have to pay £70 or more a square foot to give Ohbayashi a yield of around 3 per cent.

So Ohbayashi is assuming that City rents will continue to rise from around £40-£50 a square foot now, and that there will not be an office glut of sufficient proportions to prevent that higher figure being paid.

Now to the other world of Manchester. In the city, space is being occupied for £250 a square foot. Rents have risen from £50 a square foot in the last 18 months. But, here is the catch in comparison with

London, "what is missing is any significant impact of new tenants," as Mr Marshall puts it. And, he suggests, the position is the same in cities like Birmingham and Bristol.

There is, then, a huge disparity in prices and expectations. Despite the interest in Edinburgh of Kumagai Gumi, the Japanese construction company which so far has had the deepest UK involvement, it is difficult to imagine a Japanese punt on the Ohbayashi scale outside London.

But it is not only the Japanese who stick to London. The indifference of the foreign banks, institutions and companies to property investment and dealing outside London is well established. "Outside central London the range of foreign banks willing to offer loans drops sharply," comments Debenham Tewson and Chinnocks in its recent study of bank property lending.

What is happening is that foreign players in the UK property game are just following the pattern established by the UK investing institutions. "The basic thing we're suffering," says Mr Marshall of the Manchester market, "is the retreat of the property investing institutions."

The higher site prices are pushed in London, the more acute the north-south divide is likely to become.

That raises the question: will that divide become less acute? The answer is: certainly not. Without a sustained and heavy revival of investing interest in the regions. Even if it did come, some years would have to pass before the effects were clearly visible.

The election result may also be relevant. It is intriguing to speculate whether Ohbayashi would have paid so heavily if the Conservative majority had been smaller. The election result was greeted with enthusiasm in the property sector.

The reasoning behind the enthusiasm boils down to intangibles like confidence, a feeling that there will be stability and that the economy will grow taking property along with it.

Hence Paribas Quiliter Securities comments: "The property sector looks set for a period of outperformance as investors become aware of the large increases in the value of investment portfolios and scale of development programmes." Or Richard Ellis, the surveyors: "The stability and prosperity of the economic outlook, coupled with the supply and

demand situation within the market itself, have not previously existed together in the modern property market."

Mr Marshall observes that "if the basic position is that what is good for the economy is good for property it's good for property anywhere."

Relating local optimism to the internationalisation of the investment markets, Richard Ellis notes the re-rating of the world stock markets, the likelihood of more modest returns and concludes that this would make property investment more attractive. "We can expect to see increasing international interest in UK property."

Ohbayashi, of course, would be part of that process. "Increasing interest in UK property, both from domestic and international investors is likely to flow through to the whole of the market," Richard Ellis suggests.

In that sense, Ohbayashi's deal is significant because it adds another wave to the flood of money shortly to cover the property sector. The difficulty is that it is not clear when the flood will start.

Surveyors have been suggesting for some months that institutions, in the interests of balanced portfolios, should

start moving back into property. But this has not been to much avail although there was some increase in investment in the last quarter of 1986. The pension funds especially remain aloof.

Overall, says the Investment Property Databank, "both insurance companies and pension funds cut their involvement in property in 1986." In real terms the level of investment represented the lowest commitment by the institutions to property since they started serious investment in the early 1970s.

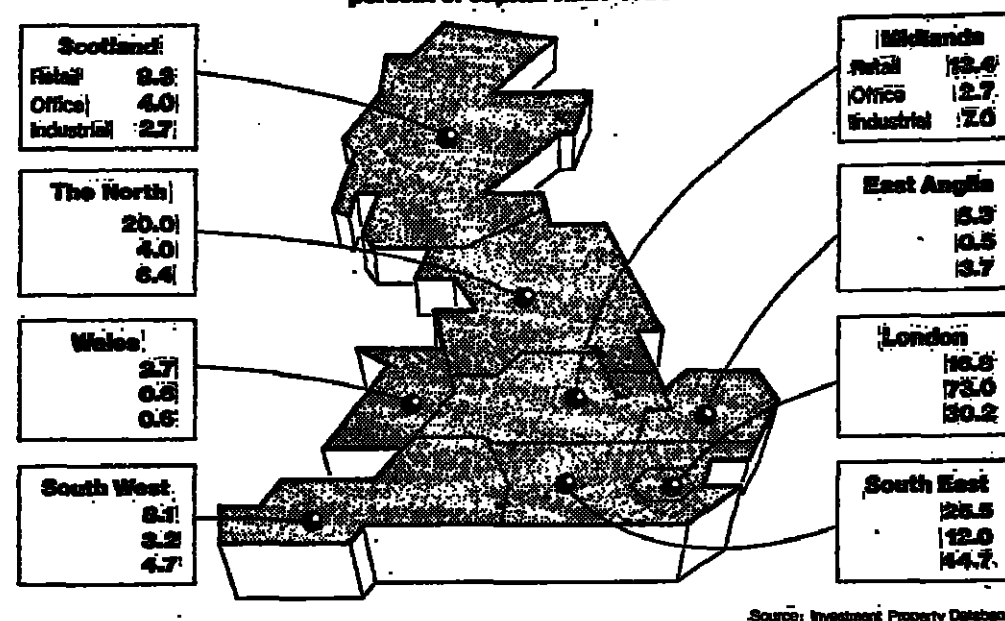
The Government as it adds to the array of incentives for inner city investment, is seeking to change that. But, even allowing for the concentration of the institutions on the equity market, there is a problem.

The institutions are not interested, it appears, in property investment, except for shopping, unless there is economic development in the area where the investment is to be made, but there will be economic development unless the investment is made.

For the Government there is a weaning process—weaning the institutions out of London and the south-east, the geographical areas which account by value for 67 per cent of institutional property holdings.

It could be, of course, that by pushing up prices in London, Ohbayashi and the Japanese investors will force the institutions to look for other areas to put their money.

Regional holdings of institutional property



The divide within and without London

THE CAUSE of central London's fascination for the property investing institutions is not far to seek. In its latest analysis of institutional portfolios, Investment Property Databank says that central London "in particular is seeing capital values of commercial property pushed up sharply at the same time as rents are rising."

This is seen as a growing north-south divide. But in

London outside the central area, last year's performance was similar to that of the poorer regions.

Over the last six years, IPD says: "Regional differences in total return have not been pronounced. Indeed they fall in a relatively narrow band between the lowest rate of 7.2 per cent per annum average growth in Scotland and 10.3 per cent in East Anglia. London provides both the best regional performance (11.7 per cent) in the City

and the worst (6 per cent) in the rest of London, excluding the West End." Seen against the background of Government hopes for a more even geographical spread of economic activity, the institutions have been highly selective in their industrial property purchases. Last year 64 per cent were in the south-east and a further 23 per cent were in outer London. Most were within two miles of a motorway junction.

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JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Republic of South Africa)

GOLD MINING COMPANIES' DIVIDENDS

Companies	Dividend Number	RSA Cents per share
The Randfontein Estates Gold Mining Company, Witwatersrand Limited Registration Number 01.00251.08	104	1000
Elsburg Gold Mining Company Limited Registration Number 01.0726.05	—	NIL
Western Areas Gold Mining Company Limited Registration Number 58.03208.05	—	NIL

Last date for registration: 10 July 1987
Registers close (dates inclusive) from: 11 July 1987
to: 17 July 1987
Currency conversion date (for payments from London): 20 July 1987
Date of payment: 31 July 1987

These dividends are payable subject to the customary conditions which may be inspected at or obtained from the companies' Johannesburg office or from the London Secretaries, Barnard Brothers Limited, 98 Bishopsgate, London EC2M 3NE.
Holders of share warrants to bearer issued by The Randfontein Estates Gold Mining Company, Witwatersrand, Limited should attend to the terms of a notice to be published by the London Secretaries late in July 1987. Shareholders were advised in an announcement published on 6 June 1987, that the Randfontein and Western Areas mines had been affected by labour disruptions during the past six months. It is largely due to these disruptions that Western Areas has had to pass its final dividend for the current year and that Randfontein has been unable to increase its final dividend.
Negotiations with the National Union of Mineworkers relating to the two companies' retrenchment programmes have recently been concluded and it is hoped that normal levels of productivity will soon be restored.
However, Randfontein shareholders should be aware that if the trend towards lower grades from underground continues, then at current gold prices the company is unlikely to maintain the current level of dividends for the coming year.

By order of the Board
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
per: D. J. Barrett

Head Office and Registered Office:
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Fox and Harrison Streets
Johannesburg 2001
P.O. Box 680, Johannesburg 2000

25 June 1987

Official Notice

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THE ARTS

Cinema/Nigel Andrews

A beguiling collection of shaggy-dog stories

Radio Days directed by Woody Allen
 Evil Dead 2 directed by Sam Raimi
 The Secret Of My Success directed by Herbert Ross
 The Boy Who Could Fly directed by Nick Castle

Nostalgia is the only ailment no patient ever seeks a cure for. "Return home pain" is its literal Greek meaning. It is as sweet as it is painful, and when Woody Allen succumbs to it in a movie like *Radio Days* we all gather round like seraphic idiots and willingly catch it off him. The film is a string of bitter-sweet anecdotes about growing up in Rockaway Beach, N.Y., in the 1940s when wireless was king. Many of us do not go back as far as those "radio days", and many of us have never been to Rockaway Beach. But nostalgia is no respecter of details. It is a generic illness. You can catch it from a tone of voice or phrase of music, from a sepia-tinged image or from the very mention of the word "childhood".

We all enjoy nostalgia, but the question is: is it good for us? And is it good for art? *Radio Days* is a beguiling but dismayingly whimsical collection of shaggy-dog sketches, shuttling between Manhattan and Rockaway as Allen's 11-year-old alter ego, Joe (Señ Green) recalls—with Allen's own voice-over—the world of family squabbles and foibles, boyhood dreams and radio-showbiz gossip. One moment we are in Joe's cosy, frumpy seaside home, bursting with oddball relatives: from Julie Kayner and Michael Tucker as ever-quarrelling Mum and Dad to Josh Mostel's fat, fish-mad Uncle and Dianne Wiest's spinster Aunt, ever spinning dreams of Mr Right. The next moment we are in madly gay Manhattan, pursuing the public lives and private peccadilloes of the stars of the airwaves.

Allen is no slouch at using homages to great directors as a planting stake for his own



David Warrow and Mia Farrow in "Radio Days"

artistic growth. We had Bergman in *Interiors* and Fellini in *Stardust Memories*. It is Fellini again here, as both the tenderly caricatured picture of family life and the make-believe big city settings (a nightclub rooftop glittering with false-perspective vistas) make *Radio Days* seem like an acolyte's *Amarcord*.

But where Fellini's film grows on air, acquaintance, Allen's shrinks. The radio celebrities (some invented, some modelled from life) are a curiously un-piquant lot, their stories of fame, love or scandal linked by the career of Mia Farrow as a squeaky saxophone who rises from nightclub cigarette girl to actress-socialite with pretensions. And back home the eccentric relatives would surely have been rejected by Fellini as not eccentric enough: whether it is Joe's parents, who are hardly funny after their

first appearance competing for parental jurisdiction ("I'll hit him," "No, I'll hit him") or the trouble is that he is only truly original when he is funny. Any one (almost) can do a Bergman or Fellini pastiche. Anyone can beam us into ninety minutes of scrapbook nostalgia. But no other film-maker in the world could come up with a joyously funny scene like the first and best in *Radio Days*. A pair of burglars robbing a house get a surprise call from a TV game show, *Guess That Tune*; they proceed to guess the tune and win the jackpot. The birthday of gifts arrives next day to Sab-

berghast the newly returned owners, who are still counting their domestic losses. A scene like this is Allen at his best, marrying the sublime to the ridiculous as no one else in modern cinema can.

Sam Raimi's *Evil Dead 2* is a horror film of glorious inventiveness: a spoof on the visceral school of shocker that, like its predecessor from the same director, should be subtitled "A Night To Dismember." The bygone video nasty furore, during which *The Evil Dead* was famously tried and acquitted, is made to seem serenely absurd in the light of a work like this. It exorcises the limb-topping tendencies of the 1980s splatter movie by extending them into a realm of transcendent Gothic farce. Even the six-year-olds were once supposed to be having nationwide birthday parties in front of the VCR—

those terrible times for Britain when outcast parents could only watch helplessly through the windows at the guttering candles or flickering screen—would surely see the funny side of Raimi's film. Here the human anatomy becomes an ingenious construct of make-up and mischief, as easy to take apart and put together again as a Lego kit (with free sachets of tomato ketchup).

Deep in the woods left over from *Evil Dead I*, another band of beleaguered youngsters are holed up in a log cabin fighting demonic intruders. Their chance possession of the famed "Necronomicon"—or Book of the Dead—causes nasty corpses to rise from the cellar, bite off legs, arms or hands, mutate into monsters and generally read the riot act to a gradually decimated cast.

Of course, once killed, almost every character comes back for an encore. For the great comfort of horror films is that you may be dead but you most certainly do not lie down. There are headless ghoulies, chainsaw rampants, flying eyeballs, and even the censor is now beginning to see the uproarious side of all this. *Evil Dead 2* enters the cinema as without protest or controversy, carrying an "18" certificate.

The *Secret Of My Success* follows hot on the Gucci'd heels of *Nothing In Common*, another comedy of yuppie manners. Michael J. Fox (of *Back To The Future*) is a Kansas farmer's son who comes to the big city to make his fortune. Getting a mailroom job in his uncle's multi-national conglomerate, he decides to masquerade simultaneously as an executive and takes over an empty office, an assumed name and startling talents as a quick-change artist. One moment he is in messenger boy's jeans, the next in young executive's suit and tie, and the breathless metamorphoses are the stuff of classic farce.

Well, in theory they are. But as directed by Herbert Ross, the film leaps about for two hours with all the grace of a pregnant gazelle, keeping us in our seats with little more than the pro-

mise of some eventual delivery. It never comes. And when the climactic scenes start to invoke *The Marriage Of Figaro*—with sexual imbroglia and mistaken identity in a mansion, and a copy of the opera score lying around to nudge us—the only decent response would be to rush out and sedate Wolfgang Amadeus before he can spin in his sepulchre.

Young upwardly-mobile professionals could not get more upwardly mobile than the hero of *The Boy Who Could Fly*. Stuntman teenager Eric (Jay Underwood) has a talent for doing exactly that, to the dawning astonishment of the girl nextdoor (Lucy Deakins) who falls in love with him and, finally, flies with him. Fairly silly, frequently winsome, but with a few moments of ambushing charm. Nick Castle wrote and directed.

The greatest movie personality who ever flew without wings was Fred Astaire. The lamented hooper, who died this week, devoured many of my weekend afternoons as a child, when the BBC seemed endlessly to re-run *Top Hat*, *Swing Time*, *Shall We Dance* and the rest. (Escapist Astaire came into his own in rationing-ridden Britain just as he had first triumphed in Depression America). Small-screen life seemed during daylight to consist exclusively of Fred Astaire in a tuxedo in tie and tails imitating a blur of motion, while the lady at his side hung on for dear life knowing it was curtains if she was ever spun off.

Fred Astaire was mankind's answer to a speeding train, a centrifuge on a sound: his gift was evanescence—he never slowed down long enough for one to hold him, touch him or consume his airy magic. He also danced with a grace which like featherlight croon which like wise attained the heights of insubstantiality. Now he has vanished for real, leaving a gap in nature—and in grace, style and physical wit on the screen—that will most certainly never be filled.

Harold Pinter/Young Vic

Michael Coveney

A glossily presented double bill of early Pinter plays has surfaced, inconspicuously, at the Young Vic from the English-speaking theatre in Vienna. An old Pinter hand, Barry Foster, plays Edward in the 1950 radio play *A Slight Ache*. This is preceded by Simon Williams and Judy Buxton giving simpering, stilted performances as the charade-playing married couple in *The Lover*, a far superior item first seen on television in 1963.

Both plays have been done on the stage before, but not in this combination, as far as I know. *The Lover* is a cunningly infected play in which a suburban marriage is spiced up with erotic games-playing. Richards departs for the office only to return as his own wife's gun-chewing leather-clad lover.

Sarah, in turn, discards her Laura Ashley dress for a clingy pink miniskirt, and battle is joined with bonages and touch-ups under the table. *A Slight Ache*, on the other hand, opens with comic dialogue worthy of Pinter's best revue sketches and degenerates into a cumbersome symbolic parable of a leisurely writer bounded in his country house by a sinister matchseller who could be either an angel of death or a parody of an Ibsenite eccentric. The matchseller, who never appears, is adopted by Edward's wife and offered a bath and various home com-

forts while Edward, driven to hallucinatory gibberish about his past life and a three-masted schooner denting the horizon, falls ecstatically among his own furniture and is presented with the matchseller's tray and post of unattended sentry at the gate.

This piece really shows its age and Kevin Billington's production does little to rejuvenate it with its tone of obsequious reverence and underpowered playing by Jill Johnson of the socially aggressive Flora. Mr Foster almost compensates with a polished display of enticing a mouldering fly into his den, a tactic heavily prefigured in the distracted trapping of a summer wasp in the marmalade jar.

The sleekness of John Balle's designs reflect the heartlessness of these revivals. The Venetian blinds of the kinky lovers in their blue lagoons are at one with the timy sound of the performance. Judy Buxton is a sexy siren, but her sound is manufactured, just as Simon Williams emits a sort of faded matinee idol aroma. The moment of brutal truth, when the rules are transgressed by a physically wounding remark, survives intact; this lameness for fat women in the face of Sarah's insistent boniness comes across still as one of the author's finest and funniest passages.



Judy Buxton and Simon Williams in "The Lover"

Philharmonia Quartet

David Murray

The Philharmonia Quartet consists of leading players from the Berlin Philharmonic. It shows, in generally admirable ways, very few of the usual attack, rich ensemble, big, warm sound, individual character isn't suppressed, but it is certainly not indulged. The quartet with which they began on Wednesday at the Wigmore Hall, the G major from Haydn's opus 64 set, had a near-romantic breadth and solid assurance, without much sense of a four-part conversation being pursued. They showed how much a mature Haydn quartet like this one has in common with his symphonies, but made less of the way Haydn capitalises upon the special possibilities of the chamber medium.

The Philharmonia performance of Szymanowski's Quartet No 2 was only the second that I can remember here in many years. The work could easily become a sort of fringe staple, conveniently short but highly flavoured, pitched somewhere between the exotic lyricism of the First Violin Concerto and the tougher rhythms of Bartók. It got a cool, shapely reading, one which set its material with conviction and good sense. A degree of Szymanowski's sharp sweetness was missed, I thought, and something of the mysterious shimmer of the string-sound.

The choral opening of Beethoven's late E-flat Quartet, op. 127, was stirring and sumptuous—just the kind of writing in which the Philharmonia players are most impressive. Throughout the work the voices were excellently balanced, and every movement was purposeful. It would be a bit finicky to complain that the Allegro more mosso was determined than gracious, "Scherzando vivace" not remotely playful and the Finale—slightly under tempo—some-what sententious; it was strong, committed, Beethoven-playing for all that.

Iphigénie en Aulide/Spitfields Festival

Max Loppert

This great opera was last given in London (at St Pancras) in 1964 and in Britain (at Bristol) in 1966. Plainly, it was not only the presenter, writer who was experiencing desperate cravings to hear it again: for the concert performance of Gluck's first Parisian opera (1774) that on Wednesday closed this year's Spitfields Festival. A century of Christ Church's back-aching seats had been sold well in advance. Why is *Iphigénie en Aulide* so neglected? Is it simply a question of names, of public confusion over two Gluck operas with a single titular heroine placed in two different ancient locations, Aulis and Tauris?

Whatever the reason, the success of the occasion could be measured by the points it solidly proved—that such neglect is of the most subject absurdity; and that (for all the pleasure of encountering such an intelligently cast and sung performance of the piece in the concert hall) it properly belongs in the theatre. This, I would venture, is perhaps the most exciting of all Gluck's operas, not just "viable" but capable of unleashing a tremendous dramatic punch. With it he introduced himself to the final sphere of his operatic activities, Paris. In it he dynamited the old high French lyric art form (which prior to his first Paris engage-

ment he studied with extreme care).

Other Gluck operas have a larger share of the limelight, melodies, most subtle depiction of emotional conflict, more rap-turous love music. In *Iphigénie en Aulide* the intention to make music-theatre on the grandest scale is naked from the outset. The connected short sequences of arias, ensembles and choruses in which the long lines of the acts are framed carry a fierce charge of energy; classically Gluckian streaks of simple clarity may be fewer than in the later Paris operas (and, for that reason, such moments as the oboe weaving around Agamemnon's "cri plaintif de la nature" are all the more affecting), but the main roles are almost all equal in importance and interest, and the winds of dramatic variety drawn from solo and choral voices help to supply an almost unbroken momentum.

Clytemnestra, Agamemnon, and the younger Iphigenia are without doubt three of the most detailed, sharply worked portraits in the great Gluck operatic gallery. Certainly, in Wednesday's performance, the two women provided the highlights: Eiddwen Harby blended passionate eloquence of expression and control of line in her superb account of Clytemnestra's B Senat stave John Herrera as the artist and Paula Scrofano as his lover. Dot, directed by Michael Magg, ends Aug 2 (443 3600).

the very young and beautiful French soprano Isabelle Poulenard (how splendid to hear the French tongue sung for once by a native!) was pure, dignified, and sweetly touching in her exquisite arias of farewell.

Jonathan Summers as Agamemnon was a relative disappointment: he is a powerful gluck baritone, with noble ease in high-lying lines (as we know from his Kent Opera Orchestras), but he seemed passively unsure of the French words and his eyes stayed glued to the score in the shorter role of the priest Calchas. John Shirley-Quirk gave a contrastingly assured example of classical declamation. The high tenor role of Achilles is normally the sticking point in any considered revival of the work, but John Aler is proving himself—here and in the Radio 3 *Telemaco* earlier in the month—in the brilliant solu-

tion to any such *haute-contre* casting problems.

Richard Hickox conducted the City of London Baroque Sinfonia and band of choral singers carrying his name. He is fully alive to the opera's Trovatore-like energy (Achilles' "Calchas d'un trait mortel" not dissimilar to "Di quella pira" in dramatic point and placing), but in his determination to keep the tempo from lagging he tended to hustle the allegro music and scrappy, disjointed "authentic" playing was rather too frequent. The first version of the dances and ferocious unison closing chorus: a splendid idea that would have been even more effectively achieved if the dance movements (culled from Don Juan and *Paride ed Elena*) had been less bluntly shaped. The performance was recorded for future Radio 3 transmission.

Princess of Wales to be SCO patron

The Princess of Wales, known usually as a fan of popular music, has agreed to become patron of the Scottish Chamber Orchestra.

A spokesman for the SCO, which is based in Edinburgh, said the Princess hoped to be able to attend occasional performances by the orchestra and had accepted the position as patron for an initial five-year period.

Richard II/Ludlow Festival

B. A. Young

The operatic *Richard II* at Ludlow Castle was better favoured than Wimbledon or Lords, and the first five performances were completely without rain. On the evening when I went the skies grew clearer and clearer until by a quarter to midnight, when the play ended, there was not a cloud in sight.

Richard II, so much of which runs like a dramatised history book, is a good play for an operatic production, and Paul Marcus has tried to introduce some light relief into his production whenever he can. Harry Percy (Robert Kilborn) has become a somewhat diffident teenager, though he does mature as the action advances. Clifford Rose's Duke of York is given a touch of humour below his pompous pomp, and the family conflict over the loyalty of their son Aurimur (Russell Boulter) is brought to a decently possible to slapstick. Moray Fraser as the Duchess contributes a special helping of county fun.

John Durrine gives a manly Richard at his best, when he remembers that he is a king, less convincing in the more frequent moments when he is in despair. Brian Deacon's Bolingbroke is even more manly, admirably spoken and dignified, and his inhumanity after "unthrifty son" sounds as much as an his-

torical footnote as no doubt Shakespeare intended it. Geoffrey Church as Mowbray looks a likely winner in the lists, especially as he wears a crash helmet; I was sorry that we saw so little of him, though he does make a re-appearance as the Groom at Pomfret.

John of Gaunt is in the safe hands of Frank Thornton, who can give all the resonance to his big speeches. When he turns on Richard with his rebuke, Richard gives him a tasty little slap on the forehead.

The decor by Bruno Santini is less colourful than the Castle might have allowed, a wealth of scaffolding decorated by a curious motive of brass tubing, a large circle on one side and a straight pointer on the other. The clock, though with no perceptible connection with the time-scale of the play. The lists, on a strip of grass at the foot of the castle wall, are only modestly ceremonial.

Saleroom/Annalena McAfee

Bull market for Bullock

Following the successful sale of the contents of Great West, Oxfordshire, which put work by the Regency cabinet maker George Bullock on a par with that of Chippendale, Christie's yesterday auctioned another suite of Bullock furniture. The sale established that high prices for his work are holding with the 10 lots, a matching group of sofas, chairs, cabinets and other items believed to have been commissioned from Bullock by the Portuguese Ambassador to England) selling for a total of £895,420.

The highest price fetched in this group was £242,000, paid by the London dealer Blairman for a pair of pillared oak side cabinets which had been expected to fetch up to £60,000. Another London dealer, R. A. Lee, £37,400 to a private Italian collector. In March, 2,500 painted from the Bernasconi collection made a total of £3.5m. Yesterday, the sale yielded £264,596 with 17 per cent bought in.

At Bonham's yesterday, Alexander Rossi's painting "News from the Front" expected to realise up to £8,000 in a sale of fine 19th century drawings and watercolours, went for £14,300.

Sotheby's silver sale in New York on Wednesday produced a record price for American silver. A pair of silver Tiffany candelabra (1894) made \$440,000 (£258,824), which was also an auction record for any silver sold in the US.

Continued from Page 20

Arts Week

2nd Street (Majestic): An immediate celebration of the heyday of Broadway in the '50s incorporates songs from the original film like *Swifty Off To Buffalo* with the appropriately brash and leggy hoofing by a large chorus line. (977 9030).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as audition rather than emotions. (239 6200).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sentimental version of Huck Finn's adventures down the Mississippi, which walked off with many 1969 Tony awards almost by default. (246 0220).

Les Misérables (Broadway): Led by Colin Wilkenson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and passions brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercises in the spruce-up stage with new bridges and American scenery to distract from the hackneyed pop

music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters, but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize-winning musical based on reproductions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover. Dot, directed by Michael Magg, ends Aug 2 (443 3600).

TOKYO

Tango Argentina (in English). Yet another original Broadway show for Tokyo, this is conceived and directed by Claudio Segovia and Hector Orezzio. The sensual and powerful tango theme is like *Bohème* and the Japanese, mainly because sentiments and expression are at such a far remove from their own culture. Starring Neida Rodriguez de Aure, Hector Nello Avila and Cecilia Narova. Kosei Nankin Kaikan Hall, Shinjuku.

A Streetcar Named Desire (in Japanese): Directed by Toru Emori with (incredible as it may seem) 76-year-old Haruko Sugimura playing Blanche. Since Ms Sugimura's first appearance in 1959, she has given over 600 performances in this role. The phenomenon speaks volumes on Japanese culture. At Seibu's new theatre. Ginza Saison. (535 0553).

Les Misérables: After London and New York, now Tokyo, and the Japanese version by the Toho Compa-

ny. With the cast hand-picked by the creative team of producer Cameron Mackintosh (from an astonishing 12,000 hopefuls), then trained for six months in a special "school" rehearsed by John Caird himself, costumes, set, sound and lighting supervised by the respective original designers flown in from London, Toho's *Les Misérables* (for both process and quality control) is set to make musical history in Japan. Sponsored by the cosmetics company, Shiseido, Les Misérables stars Sakae Takida, Ran Okura, Hirohiko Saito, Goro Noguchi, Hiroshi Iwaseki, Kaho Shimada. Imperial Theatre, near Ginza (201 7777).

SPAIN

Merida, XXXIII International Theatre Festival begins this weekend with Irene Pápa, directed by Miklós Csányi at Merida's Roman Theatre. The most beautiful city of Roman Spain, preserving its atmosphere. 62 kms from Badajoz City and 347 from Madrid.

NETHERLANDS

Amsterdam, Odeon Theatre (Singel 400). Victorian, a tribute to Victorian and Edwardian music hall presented by the Hall Family (Fri to Sun). (22 97 42).

Amsterdam, Stadschouwburg. The English Speaking Theatre of Amsterdam with Noel Coward's Private Lives directed by John Hartnett and starring Lesley Hughes and Chris Young (all week except Sun and Mon). (24 23 11).

Amsterdam, De Balie (Kleine Garmmentstraat 10) The Gate Theatre from Dublin with Samuel Beckett's *Till We Come*, a solo piece compiled from Molloy, Malone Dies and The Unnamable performed by Barry McGovern and directed by Colm O'Brien (Fri to Sun). (232 904).

Music

LONDON

Miles Davis, Royal Festival Hall (Mon) (223 3191).

Chelsea Opera Group, conductor Nicholas Scahill. *Les Misérables* with Richard van Allan as Boris in a concert performance of Boris Godunov, in English. Barbican Hall (Mon). (534 6881).

Chorus Choir with the London Bach Orchestra: Julian Williamson conductor with Gillian Asher soprano and John Nibel bass: Francis Kodaly, Janacek, Fauré. Barbican Hall (Tue). (543 6346).

Herbie Hancock Trio: Royal Festival Hall (Wed).

London Symphony Orchestra, conductor Michael Tilson Thomas. Julia Milgrom, Peter Donohue and Larry Adler: *The German Year*, Gershwin, Weill. Barbican Hall (Thur). (543 6346).

Diez Gilgels and his 70th Anniversary Big Band: Royal Festival Hall (Thur).

TOKYO

Mariko Noda, piano: Debussy, Ravel, Chopin. Tokyo Bunka Kaikan Recital Hall (Mon). (229 2121).

Hayko Simones, organ. Konradin Groth, Trumpet: Bach, Handel, Schumann, Stanley, Pescotti, Molter. Suntory Hall (Mon) (505 1010).

Cambridge Sinfonietta: Vivaldi, Mozart, etc. Yurakucho Asahi Hall, Mito (Tue). (543 6346).

Tokyo Symphony Orchestra and Tokyo Academy Chorus, conducted by Kazuyoshi Akiyama: Mozart's Grand Mass in C minor; Japan's premiere of Andrew Lloyd Webber's Requiem with Sarah Brightman, Eriq Chén, Yoko Nishikawa, Masayuki Kurauchi, Shigeo Miyahara. Makoto Hayashi, The Little Singers of Tokyo. Tokyo Bunka Kaikan (Tue). (563 0101; 273 5461).

Heldi Litschauer, cello, Boyko Watanabe, piano: Beethoven, Schubert.

Schumann, Brahms, Tokyo Bunka Kaikan (Wed) (403 5871).

NHK Symphony Orchestra, conducted by Jiji Belykh: soloists Tamara Semyonova and Shiroko Sato. *Mahler's Symphony No 2* and "Resurrection". NHK Hall (Wed, Thur) (485 1780).

Osaka Philharmonic Orchestra conducted by Shiroko Sato with Masako Ushida, violin. 40th anniversary concert: Mozart, Bruckner, Tokyo Bunka Kaikan (Thur) (573 5882; 527 9980).

Chorus Choir of London: Mozart, Schubert, Britten. Tokyo Bunka Kaikan Recital Hall (Thur) (061 2390).

NEW YORK

Tanglewood: Ely Ameling soprano recital with Rudolf Jansen piano. All-Schubert programme (Thur). Lenox, Mass (413 871 1898).

WASHINGTON

Mostly Mozart Festival (Concert Hall): Festival Orchestra conducted by Gerard Schwarz. All-Mozart programme (Wed); mixed programme (Thur). Kennedy Center (254 3778).

Wolf Trapp: Choral Magazine Jazz concert (Thur). Vienna, Va. (703 255 1898).

CHICAGO

Barbican Festival: Schumann Song Cycles with Philip Creech tenor, Christopher Trakaris baritone and Hermann Frey baritone with James Levine, piano (Tue); Nadia Salerno-Sonnenberg violinist and James Levine pianist perform all-Mozart programme with chamber group (Thur). Highland Park (728 4422).

NETHERLANDS

Amsterdam, Nieuwe Kerk: Rossini's *Mosè e Salmone* from the orchestra and choir of the Teatro Comunale di Bologna conducted by Riccardo Chailly and Fulvio Angius, soloists Susan Dunn, Chris Merritt and

Margarita Zimmermann (Tue) (211 211).

Amsterdam, Concertgebouw: The Orchestre de Chambre de la Suisse Romande, conductor: Jean-Christophe Spillmann. *Schubert, Schmitt, Stravinsky* (Mon). The Radio Philharmonic Orchestra and the Broadcasting Choir conducted by Gunter Schuller with Sidi Grottel violin; modern American composers, including Druckman and Schuller (Tue). (71 83 45).

SPAIN

Granada, 36th Festival: Monday: Orquesta Nacional de España conducted by Jesus Lopez Cobos: Falla, Gerardo Urdazaga, Prieto and Franck in a special Spanish programme at Palacio de Carlos V. Tuesday: pianist Vlado Perlemuter, a homage to Ravel "Sonatine", "Miroirs", Gossard de la Muf at Palo de Los Arrayanes. Wednesday, Thursday: Orquesta Sinfonica de RTVE conducted by Miguel Angel Gomez Martinez commemorating George Gershwin and Maurice Ravel's anniversaries on first performances and Del Campo, Falla and Almos the following day. Both at Palacio de Carlos V.

ITALY

Milano, Teatro alla Scala: Verdi's Requiem with Margaret Price, Dolora Zajac, Luciano Pavarotti and Samuel Ramey (Fri, Mon). (80 11 28).

Rome, French Academy, Piazza della Trinità dei Monti 1, (Villa Medici Festival): the orchestra of Santa Cecilia conducted by Kent Nagano playing Berlioz, Humel and Modern, with soloist Janet Baker, (Wed). (06 611).

Spoleto: (30th Festival of Two Worlds): noon-time concerts every day of the festival at the Teatro Carlo Melissano and Chamber Music Concerts (Fri to Mon) at the Teatro dei Sei (Fri to Mon). (04 265) (closed Monday).

FINANCIAL TIMES

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Friday June 26 1987

Rate reform in trouble

IN HER first two terms Mrs Thatcher could rely on the loyal support of her own party even for her most radical proposals. The rebellion against fiscal stringency was stifled when the economy began to recover. Nothing else has aroused much dissent, even when dissent was deserved, as in the failure to break up State monopolies when they were privatised.

Distant cloud

The loudest rumblings in the south concern the proposed uniform business rate, which will lead to very steep increases in some areas which are at present low-rated. Largely the most prosperous part of the south-east. This, of course, is intended; the change will add powerfully to the incentive to locate in depressed regions. The protest shows that the transition will need careful handling. The poll tax is so far a fairly distant cloud on the English horizon, but reports from Scotland, where the change is now enacted—though it has yet to come into force—are evidently disturbing. The threat of a large extra charge on those below average income seems to be much more potentially damaging than the initial protest from some of Scotland's few Conservative loyalists over an overdue rating revaluation. This might be tolerable in a noble cause; but the proposal is so friendless that one of Mrs Thatcher's recent policy advisers is promulgating the amusing myth that the whole idea is a Civil Service plot to get the government bogged down. This is a travesty of the facts, for the scheme would have been dropped long ago but for the Prime Minister's personal commitment; but the myth does make the point that the Government has much more important things to do.

There is a principle involved in the poll tax: voters should pay for part at least of the expenditure they vote for. It is the practice which looks so

politically expensive.

While the original idea of a simple head-count charge has been progressively softened against the poor, at the expense of the Treasury, it remains favourable as ever to the rich. To soften this contrast, some back-benchers are pressing for a still higher Treasury contribution. This would certainly be resisted, and it would probably not achieve the desired result. An even-handed Treasury contribution would reduce the average burden, but it would not reduce the extra charges in high-cost or high-spending authorities. The average charge will be a little over £200, but the highest may reach £700 a head; reducing these charges to £100 and £500 would not buy off much grievance.

Grievances could in theory be avoided if the Government first overhauled its methods of assessment of local needs, and tightened its control over spending, to the point where the anomalies were largely removed. However, the reforms would hardly have been proposed had these problems not proved so insoluble over the years.

Time needed

Above all, though, both reforms need time. Local authorities need time to adapt their own spending pattern to a new tax base, and to negotiate revised needs assessments, more sensitive to special inner-city needs for social and environmental spending. Only careful steps on these lines will make a clumsy proposal at least workable, which is already the aim of some realistic local authorities, and ought to be the Government's aim. The move to a uniform business rate is not short of time, given a five-year transition, but this time must be used to ensure that the response of market rents to the new charge is fully reflected in valuations. And ministers should talk about this response; it is mainly because ratepayers can hardly believe in the possibility of falling market rents that they are so frightened.

Test for German consensus

COULD THATCHERISM be making inroads in the German-speaking countries of Europe, where the risk of rigidities in industry is generally accepted as an acceptable price for smooth, consensual industrial relations? A crisis that has blown up in the Ruhr steel industry will provide at least part of the answer.

Not so long ago Ruhr steel, banking in the warm glow of an overvalued dollar, was held up as a model of efficiency with little need for structural change. But all of a sudden the steel companies are threatening to enforce 20,000-30,000 redundancies unless they get state help.

The threat looks like a prize case of capitalism red in tooth and claw. The manner in which it was made suggests something rather different. For the employers and the trade unions told the Government of Dr Helmut Kohl unison that it ought to provide DM 900m (about £307m) in financial assistance to avert the redundancies. Here, then, there is a chance for Dr Kohl to emulate the Iron Lady. So far his government has been playing for time: some money has been forthcoming, but the whole matter is to be adjourned until September when, so it is said, there may be more clarity about how the European Community intends to deal with the continuing steel crisis. At least one of the concerns has adjourned decisions in the same way.

The outcome may be awaited with some curiosity. One thing is clear: Bonn will find it very hard to resist the joint pressure of the steel employers and the IG Metall for further help—even though the industry has skidded to its present plight after five years of costly governmental restructuring aid. A precedent exists. The Ruhr coal mines which were in danger of going under more than two decades ago have been kept alive by an elaborate system of subsidies paid for partly directly by the consumer, partly by the power-generating industry. Coal was deemed to be too important to be allowed to die; the same case will be made out for steel.

consensual system, the joint front of employers and labour against a government and against economic reality is one of its least attractive facets. Yet the betting must be that Bonn will give in the dip into its purse.

Steel apart, it may be argued that the obviously harsher tone of the IG Metall, especially towards the engineering industry, testifies to a decline of the consensual system. That is true only within strictly defined limits. A threatened strike this spring was averted probably because both the union and the larger employers wished to avoid it.

Even if there had been a strike—as there was in 1984—it would not have spelt the end of consensus. Strikes have occurred in West Germany at all times. But the underlying consensus made them less disruptive than the chaotic industrial climate of the Britain of the 1970s. Both sides recognised at all times that they would have to live with each other after the fight.

That said, given the inevitable conflicts of interest between employers and labour, consensus—like any other system—must constantly be shown to be worthwhile, even in societies where it is traditional. There is reason to believe that doing so is harder than usual in the present time of lacklustre economic performance. Consensus seems to thrive when things are really bad, as in the early post-war days in Germany; or when things are going really well as in the following decades. Stagnation or near-stagnation provides barren soil. That is as even in neighbouring Austria where a partnership ranks next to Holy Writ but where, now, a socialist-led government is threatening to slim down or privatise state-owned industries, to the open disgust of the trade unions. A changed economic environment is bound to have its effect upon the conduct of industrial relations. The nature of consensus, where it exists, will have to be rethought. If this is done realistically, consensus will survive. If not the cry for a Frau Thatcher may yet arise.

THREE-TIME winners they may be, but the Conservatives apparently remain afraid to touch the National Health Service. "It is safe with us," they insisted during the election campaign. Thus it is hardly surprising that in the Queen's Speech yesterday they merely promised to "maintain and improve" it. Yet the Government knows very well that its revolution in public expenditure, social welfare, and the shape of British society will not be complete until this mangy-looking sacred cow is retired to the pastures of history.

As matters stand no such thing will happen until at least the 1990s, by which time work now being done in a number of think-tanks will have changed the way we perceive the supply of health services. More about them in a moment, meanwhile take it that the change will be fundamental. What we see now is a health service whose structure is based upon the fiction that it can treat all the ailments of everybody. What we will have then will be a service that acknowledges that treatment is arbitrary, and is likely to get more so. Choices will be made either by the consumer, on the basis of ability to pay, or by the medical profession, on its own arcane calculations, or by administrators, on quasi-political grounds—or, most likely, by all three.

The story begins in those heady days of 1948-49, when it was believed that a trifle costly to make a once-for-all improvement in the health of the population, all that would be required after that would be a modicum of expenditure to keep people well. Thus the service was made free at the point of supply. Nobody seemed to realise that there would be virtually unlimited demand. The early budgets were broken immediately, but the Gullenden Committee was able to report in 1956 that although it was true that the original estimates had been too low, everything was now under control and the service was absorbing only 34 per cent of gross national product as against 31 per cent at the start.

Heaven knows what the committee would have said had it been told that 30 years later: (a) British spending on health care would have more than doubled to some 7 per cent of a much larger GNP, while (b) even on that astonishing measure Britain would be just about the lowest spender in Western Europe. It might not have been able to credit forecasts that in 1987 two parties would fight an election on the basis of increasing future spending by yet greater amounts or that the public consensus seemed to be that the NHS was starved of resources, while within the service many professionals were convinced that standards were dangerously low and falling. In fact, what has actually happened is not all that easy to grasp even today.

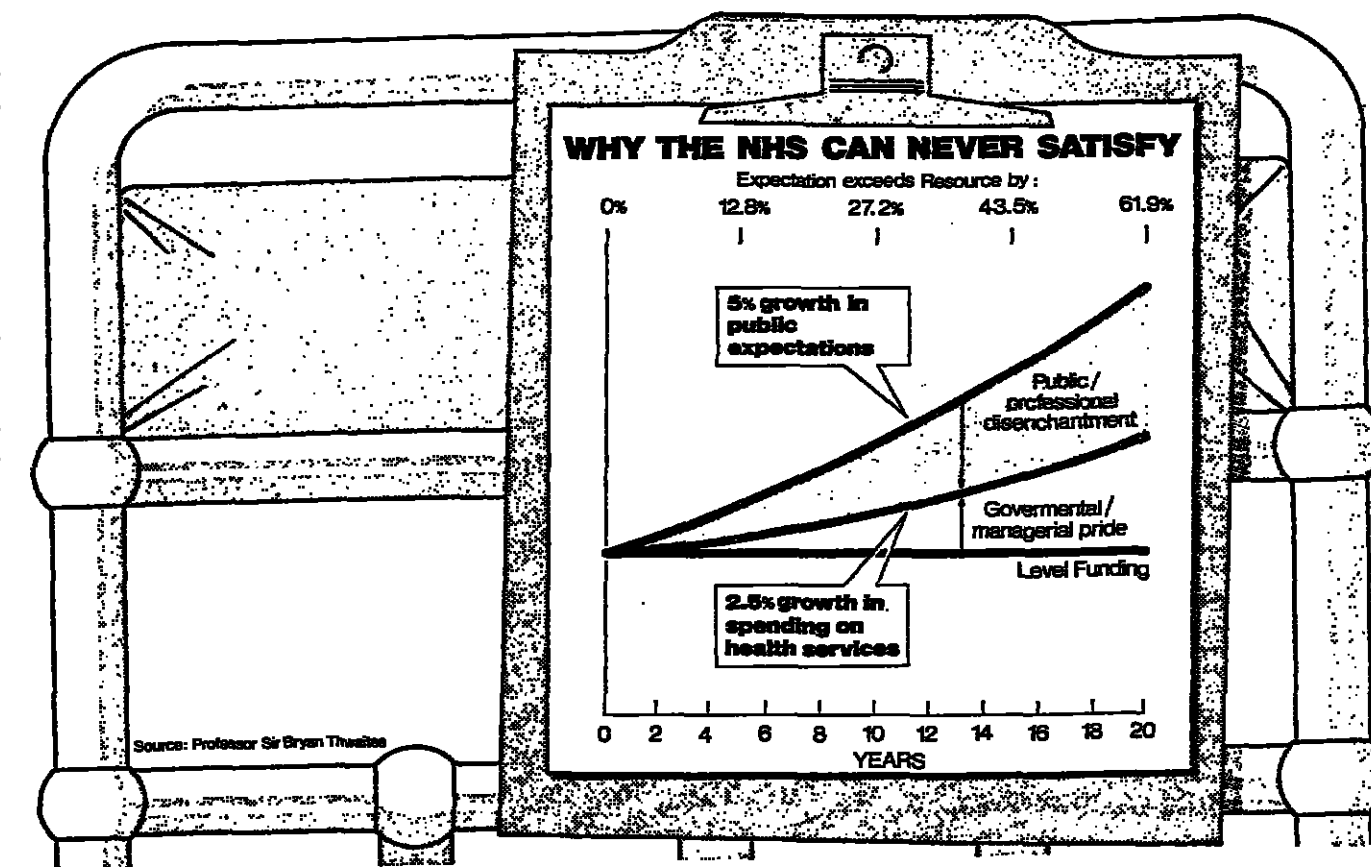
Take the cost of the NHS itself. Expressed in 1986-87 money, it was some £35.5bn in its first year of operation and £4.4bn in its second. The estimated outturn for England in 1986-87 is £15.75bn. You just have to project a further quadrupling in the early years of the next century to see how impossible it is.

Of course the truth is that the rate of increase of spending has already slowed almost

to a halt. According to Professor Sir Bryan Thwaites, a distinguished mathematician who is currently chairman of the Wessex Regional Health Authority, the rate of growth in real expenditure on the NHS in England has followed a compound-interest style trend line of some 4.56 per cent per annum over the past 30 years. This line fell back to 3.56 per cent over the past 15 years and 1.36 per cent over the past five. Sir Bryan takes a Department of Health and Social Security projection to indicate that the equivalent figure for 1989-93 will be 0.5 per cent. (In fact, overall spending on health care has changed at a rather more bumpy pace, but the decline is still evident.)

I have taken Sir Bryan's calculations from a lecture he entitled "The NHS: the end of the rainbow." He delivered it just three weeks before the election, at a ceremony to mark the foundation of the University of Southampton Institute of Health Policy Studies. His central point is worth a moment's concentration. Go back to that 0.5 per cent projected growth and add a further 2 per cent from the man-

The Tories and the National Health Service



What the Queen left unsaid

By Joe Rogaly

agemented efficiency savings that the Government is insisting upon and you have the curve of rising resource of 2.5 per cent a year shown in the chart. Now comes the really fascinating part. For Sir Bryan takes his Wessex experience to arrive at the conclusion that, taking capital and revenue outlays together, his health authority could spend 5 per cent more each year... "without running any risk of criticism for waste or extravagance."

That gives you his upper curve of rising expectations—or, as those who believe that expenditure has been pulled back too sharply would have it, rising needs. It is easy to accept if you have his list of components. Awareness of what is available continually rises. The service is not charged for. People have a lower tolerance of discontent. Medical technology—and its cost—increases at an exponential rate. A body scanner "will pick things up which a few years ago would be left dormant and undiscovered," says the Professor. The rise in the number of elderly patients is well-known. "We are all living longer because we are not dying of the things

that the NHS has cured us of." As the number of doctors increases, so does the amount of treatment they demand for their patients. And so on.

Those two curves explain what Mr Enoch Powell first pointed out in his own profound analysis of the NHS in 1966: that spending will never catch up with ever-rising expectations. Expectations seem to be accelerating, but spending has perforce slowed down since then. Even the Labour Party, in its election promises of a few weeks ago, was talking of just 3 per cent growth in real terms. That would move the Thwaites curve up a notch or two, no more. Public dissatisfaction would still be fatuous.

The problem is easier to diagnose than to cure. It is here that all the think tanks come in. The Institute of Economic Affairs (IEA), which often purveys the market as a wonder elixir to cure all ills, has set up a health unit. Southampton's new institute is mentioned above. There are health economics groups at Brunel University and the Universities of York and Aberdeen, and a Health Services

Management Centre at Birmingham University. The Office of Health Economics (OHE) celebrated its 25th anniversary last week with the publication of a new book reviewing the state of the art in Britain, Europe, the US, Japan and several other countries.

One message stands out above the rest in the OHE silver jubilee volume: the pressure of apparently limitless demand is universal. Expenditure on health care has roughly doubled as a proportion of GNP in most countries in the last 25 years. In the US they are up to 11 per cent and rising; clearly the American free market has done a worse job of keeping costs in check than has the British Treasury. Responses to this message vary. You could divide them into economic and medical forms of rationing.

The principal economic form of rationing is the market itself. In the US this has changed radically over the past 20 years, according to the OHE review. As the cost of insurance has risen new mechanisms like Health Maintenance Organisations (a kind of consumer cartel) and Preferred Provider

Organisations (cheaper insurance with less choice of practitioner) have been invented. The pressure on hospitals to lower cost has been immense, particularly as the number of empty beds has grown. One result has been to leave the poor and the 35m uninsured Americans worse off, since private hospitals have lost the surpluses previously devoted to charity cases, while the taxpayer revolt has hit publicly financed clinics. Against that the middle classes are trying to put a brake on the cupidly of the American medical profession.

There is also price. In the latest issue of the IEA magazine, Economic Affairs, Norman McKenna argues that NHS patients should be charged the full commercial cost of treatment, adjusted by ability to pay using income tax scales. The poor would pay nothing and those who needed "exceptionally prolonged and costly treatment" would be protected by an upper-limit safety net. This would give consumers real choice and cut costs, he claims, by some 40 per cent.

The medical forms of rationing start with an attempt to ration the value to the patient and society of a particular item of health service. In a contribution to the OHE book Prof Alan Williams of the University of York argues forcefully for the measurement and valuation of the quality of life, which he hopes will turn out to be "the aspect of health care evaluation which comes historically to be recognised as the great achievement of the last quarter of the twentieth century." Wryly, the Director of the OHE, Prof George Teeling Smith, questions the use of "quality adjusted life years" (QALYs), asking whether they are analogous to units of weight where two one-pound units equal one two-pound unit—or units of temperature where two days with a temperature of 15 deg C cannot in any sense be equated to one day of 30 deg C.

Sir Bryan has his own formula for rationing within an NHS whose continued existence he assumes without question. He has created a three-dimensional model, relating the medical condition to the other conditions of life of the patient and the cost of care. Thus accident and emergency cases would undoubtedly be treated by the NHS; "my own spatular thumbs" would not. In the second dimension would come such considerations as an estimation of the likely success of the treatment, the breadwinner/dependent status of the patient, age, and financial or social ability to cope with the after-effects. His model for costing services includes items like after-care and unemployment benefit.

The big unanswered question is: who is to make the choices? Any doctor will tell you that an informal system of rationing exists today. The health economists want to make it formal, structured, clear to all. Most people who feel that they cannot afford to do so would want to control the process themselves. Must the poor forever have such choices made for them? We will only begin to get serious answers to such questions when the Government turns aside from the political auction on NHS spending and brings forward the fundamental dilemmas for public debate.

Health Economics: Prospects for the Future, edited by Prof George Teeling Smith. Croom Helm, £27.50.

Maxwell's adversary

If Robert Maxwell feels haunted today, his Simon Robertson and his colleagues at Kleinwort Benson. Wherever he goes he pops up with a bid their faces seem destined to appear on the other side of the table.

Harcourt Brace Jovanovich, the US publisher, is the fifth of the largest companies in the world in less than three years to seek Kleinwort's assistance in repelling an approach from Maxwell. A reputation for knowing its adversary and his wiles has made Kleinwort the first UK bank to be given such a key role in a US bid defence. Robertson has done his share of breaking new ground during nearly 20 years in the bank's corporate finance department. After five years as head of the bank's US operations, he returned to supervise the selling of the US branches of the British Telecom share issue.

More recently, he has advised the French Treasury on

Men and Matters

its first privatisation, of St Gobain, and the subsequent offer of shares in Credit Commercial de France.

When Eitel Group jumped to Kleinwort from Hill Samuel, Robertson was there to marshal a video including not only excerpts from Mollere but also a swim-suit scene. As Robertson remarked, only the French could get six semi-naked women into a film about government bonds.

It was indeed a show. In the spanning new surroundings of the Queen Elizabeth II Hall, it was smoothly fronted by the BBC's Mark Rogerson and featured a video including not only excerpts from Mollere but also a swim-suit scene. As Robertson remarked, only the French could get six semi-naked women into a film about government bonds.

Banking on film

Back in Paris, Credit Commercial de France's sixth president has managed to go through three different chairmen in as many years. Now the bank has been safely privatised—with the help of Simon Robertson's fourth chairman is to take over—Michel Peberre, who has in effect run the bank for the last five years, whoever occupied the chairman's seat.

Hiding behind a shy smile, Peberre is regarded as a formidable intelligent, even by the high fliers of the French Treasury, where he built his career. Head of financial and monetary affairs at the Treasury until 1982, he had been widely tipped to become its overall head if the right had returned to power in the 1981 election. Moving to Credit Commercial in 1982, Peberre might have been expected to find enough to occupy him in unravelling the effects of the bank's over hasty expansion and in building its position as world leader in electronic home banking.

In fact he has found time to teach a regular economic course at Sciences-Po, the prestigious Parisian political science college, and to write economics books. One of France's leading connoisseurs of science fiction, he is also a fanatical cinema goer and presides over the French National Film Board.

Parlez-vous gilts

It is difficult to imagine the combined forces of London's gilt-edged securities market, the Bank of England, primary dealers at all descending en masse on Paris to give a show on UK Government bonds, with all participants speaking fluent French.

For the French, however, such an event clearly holds no terrors. And yesterday the French government bond market came to London.

Treasury officials and senior executives of all 13 primary dealers in the newly streamlined market gave a detailed exposition of its workings—in English—to an audience of about 360 people from the London market.



"Clever idea - introduce a poll tax - then open the pub 12 hours a day and the Chancellor can't lose"

Centre stage

Over at the Elysee Palace, Seiji Tsutsumi may have seemed out-gunned by Petr Gyllenhammar, chairman of Volvo, and the omnipresent Italian financier Carlo De Benedetti when all three received the Legion of Honour from President Francois Mitterrand earlier this week.

The president of Seibu Season, the Japanese retailing and financial services group, upstaged his fellow Legionnaires yesterday, however, by revealing a 10 per cent stake in Paris Orleans, the dormant railway company used as a vehicle by the Rothschilds after they lost their bank under the Socialist Government in 1981.

The Rothschilds are staging a triumphant return in France, in considerably better financial health than at the time of the bank nationalisation. They have even enlisted Jean-Charles Naouri, formerly chief aide to Pierre Berégovoy, the Socialist Finance Minister.

Trutsumi, a poet, novelist and sponsor of the theatre in his spare time, appears to have confidence in the Rothschild name. His stake in Paris Orleans will be in the form of shares but of certificates of investment, which carry no voting rights.

Three managers, one French, one American and one Japanese, were facing a firing squad. Each was allowed a last wish. The Frenchman, first in line, asked the time of the Marcellaise. He did, and was shot. Next, the Japanese manager said he wanted to lecture on Japanese management techniques.

The American stepped forward: "Could you shoot me first, please?"—Ray Sanderson, national officer of the IETPU electricians union, and architect of strike free deals at Toshiba and others, at the Confederation of Shipbuilding and Engineering Employees meeting at Llandudno this week.

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Observer

Politics Today

Ready to be tied in knots again

By Malcolm Rutherford

WITH THE Queen's Speech outlining the proposed legislation for the new parliamentary session, the Government's problems return. And it begins to look as if the aftermath of the 1987 general election will be very like that of 1983: too much time-consuming legislation, insufficient thought out, not important enough to be worth the effort, and with the main opposition coming from the House of Lords.

The opposition will come from the Lords simply because the opposition in the House of Commons is too small to count very much. Given another century-plus majority, the Government has little to fear in the lower chamber, except the occasional rebellion from its own benches, and no doubt there will be some of those.

The election has, in fact, left the Government in a state of mild shock, despite the size of the victory in terms of parliamentary seats.

It was shocked, if not surprised, by the results in Scotland where the Tories now have only 10 MPs out of 72. It was disappointed by the returns from Wales, where it had thought that it was making inroads. And, as Mrs Thatcher herself made clear on election night, it is deeply worried about the inner cities.

On top of all that, there are fears about the community charge bill: the measure designed to replace domestic rates in England and Wales. It is on this subject that rebellion has been mounting all week.

Yet, in a way, all the subjects go together. The community charge—in effect, a poll tax—was introduced in Scotland by the last parliament with a view to placating Scottish voters angry about rating valuations. But it does not seem to have had the desired effect.

Mr Malcolm Rifkind, the Secretary of State for Scotland, held his seat in Edinburgh, Pentlands and has kept his office. It is notable, however, that another Scot, Mr Alasdair Buchanan-Smith, declined to serve as his number two.

Mr Buchanan-Smith has a record of holding different views on Scotland from the bulk of the Tory Party. He was inclined towards devolution and resigned as a shadow spokesman when the Tories resisted it in the 1970s. He is sceptical about the community charge. On the whole, his judgments have been wise.

It is no criticism of Mr Rifkind to say that Mrs Thatcher may have missed a trick by not making Mr Buchanan-Smith number one. Mr Rifkind is a considerable figure, but perhaps better suited to the Foreign Office than to the Scottish Office in these turbulent times. Evidently the

Prime Minister does not like rewarding resigners.

Wales, too, produced a problem when it came to Cabinet-making, there being no obvious successor to the outgoing Secretary of State, Mr Nicholas Edwards. Mrs Thatcher turned to Mr Peter Walker, the Energy Secretary in the last Government, and a lot of people commented that it was a demotion.

In practice, it will probably turn out to have been the opposite. Mr Walker remains a firm advocate of higher public spending; no great friend of Chancellor Nigel Lawson, who is trying to get it down as a percentage of gross domestic product.

As Secretary of State for Wales, he will sit on the key Cabinet committee. His job will be to win money for the principality, and those Welsh who understand politics have already recognised it. Mr Walker is also opposed to the community charge.

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way in Scotland largely because of the political situation there. The Scots, especially the Scottish Tories, were up in arms about the rates they had to pay. Reform was seen as one way of winning them back.

Chancellor Lawson was opposed to rates reform in general, but agreed to Scotland more or less as an experiment and as a line of least resistance. Now the new system of the community charge is proposed for England and Wales as well.

It was in the election manifesto; no one can complain about that. But only very recently has it dawned on a large number of MPs that they may have to devote an inordinate amount of parliamentary time to a matter that may not be worth the unpopularity and blows to the Government's standing that it may incur.

Don't imagine that the growth record can be attributed mainly to unfair trade practices. Foreign trade is still much less important to Japan than to most other industrialised countries. The truth is that the domestic economy, despite its much publicised rigidities and deviations from free market principles, has expanded at a terrific rate. This is comforting; it means that Japan will continue to grow steadily even though the politicians in Tokyo are unlikely to stomach much in the way of domestic deregulation.

The Lords is, after all, a revising chamber. When there is a large government majority in the House of Commons, it can become the opposition chamber as well. There is no in-built supply of Tory lobby fodder, or at least not one that is sustainable day after day, night after night. Some of the Tory peers, when they turn up, emerge as rather independent.

Moreover there will shortly be a new batch of peers in the dissolution honours list, some of them ex-members of Mrs Thatcher's administration who may not always toe the party line. All that explains why it takes a man like Lord Whitelaw, with great House of Commons experience, to ensure that the business of the Lords runs reasonably smoothly.

Lord Whitelaw's view is that if the Government really wants the community charge bill, the House of Lords is under some obligation to deliver. There will be concessions, to be sure, just as there were when the Lords debated the Abolition of Domestic Rates (Scotland) Bill last session.

At that time, the Government gave way on the amount to be paid by students, by the disabled and by people on social security benefits. The bill would never have been passed without such concessions. On the England and Wales bill, it will be surprising if their Lordships do not ask for even more—and get it.

The plan is that if at any stage a large number of peers threaten to reject the bill, the Government will be asked if they really want another rating revaluation, to which they are expected to answer "no." They will also be reminded that it is not the business of the House of Lords to defy the Commons on major questions. Amendments are acceptable, even quite substantial ones, but rejection is another matter. It could lead to the authority of the upper house being challenged and do its members really want that? There is only the faintest doubt about the answer, but there is some.

Not the least of the arguments is that if the Lords press too hard against the community charge, they will jettison their chances of winning concessions on other bills. It is all a delicate act of letting them use their revising power and even occasionally blocking power but not going too far. Lord Whitelaw is very good at it.

That is how it stood as the revolt was gathering support this week. One's own guess is that if the Government really wants the bill—and it appears to—it will be able to blunder through it in the end. But it will do so at a price, and the question about whether it is worth paying is genuine.

Lombard

What Japan can teach the West

By Michael Prowse

FROM the Meiji Restoration on, Japan has been good at learning from the West. The US has been its principal tutor since 1945 and the pupil has undoubtedly made excellent progress: having spent a fortnight in Tokyo, I can confirm that the children crave hamburgers, the teenagers idolise Madonna, and the adults love baseball.

Most Westerners assume that the Japanese still have an awful lot to learn, especially in economic affairs. Never mind that Japan has created the world's most dynamic economy during the past 40 years, it apparently is still not copying the Americans slavishly enough. The instructions are crystal clear: stop saving so much, stop working so hard, and stop exporting so ferociously. Instead, be like us. Enjoy more leisure, import more Western goods, and—most important—deregulate your economy and rely more heavily on market forces.

This advice, of course, is not wholly without merit. Working hours are ridiculous for a nation with Japan's per capita GNP, while some sectors, such as agriculture and retailing, are grotesquely inefficient. Nonetheless, Westerners would be wise to be a little less cocky and a little more willing to learn some lessons from Japan. After all, if Japan has been doing everything wrong for so long, how has it become so prosperous?

Don't imagine that the growth record can be attributed mainly to unfair trade practices. Foreign trade is still much less important to Japan than to most other industrialised countries. The truth is that the domestic economy, despite its much publicised rigidities and deviations from free market principles, has expanded at a terrific rate. This is comforting; it means that Japan will continue to grow steadily even though the politicians in Tokyo are unlikely to stomach much in the way of domestic deregulation.

The lessons for the West and mainly have to do with social cohesion, the distribution of income and wealth, and the tenuous link between work effort and economic incentives. At the very least, Japan's recent economic record suggests

that Anglo-Saxon economists have greatly overestimated the importance of the supposed trade off between social justice and economic efficiency. Japan is both more efficient and more egalitarian than the West.

As a result, it presents a headache for Western centrist theorists—and especially Thatcherites—who are inclined to argue that economic vitality requires a widening of income differentials and an acceptance of greater inequality. It is surely feeble to argue, as people often do, that the Japanese are just "different" or that the economic and social structures that have worked so well for them for so long have suddenly ceased to have any relevance.

The powerful linkages between social and economic factors seem well understood in Japan. In a recent white paper analysing the nation's progress in the 40 years since the war, the Economic Planning Agency argued that Japan had achieved the highest standards of health and education in the world. It also pointed out that more than 80 per cent of the population consider themselves middle class and that the incidence of violent crime has fallen dramatically since the late 1950s. Looking to the future, one of its principal conclusions was that Japan needs to "maintain and further reinforce" its egalitarian society.

No tourist in Tokyo is likely to complain that these statistics are misleading. The abiding impression is of economic affluence (the department stores put London to shame) coupled with a pleasing social equality and stability. Tokyo reputedly has more neon lights than any city except Las Vegas, yet it is extraordinarily safe. Women can go anywhere alone at night and are not frightened to use the subway. It is difficult to place an economic value on this tranquility.

Japan, of course, is far from perfect. It caters poorly for minorities—there are few ramps for wheelchairs—and it perhaps tends to stifle individuality. But the Anglo-Saxon economies have arguably got more to learn from it than vice versa, especially if they seek to combine growth with social harmony.

Joining the EMS

From Mr G. Radcliffe

SIR,—Mr Jackson (June 19) argues against sterling joining the EMS. I do not however find his arguments convincing. It is dangerous to regard exchange rate depreciation as the only means by which to improve only sector's competitiveness, especially over a time horizon as long as 10 years. The danger lies in the inflationary stimulus coming from the "virtuous circle" of depreciation—inflation—depreciation. This is all the more likely to occur in the UK, which traditionally suffers from (downward) wage rigidity and insufficient productivity growth. One would think that over 10 years something can be done to soften these two problems, so that the required competitiveness gains would not have to depend on exchange rate depreciations only.

Membership of the EMS does not rule out currency devaluations per se. It is well known that, for output stabilisation purposes, exchange rate adjustments are optimal policy response when "real" shocks occur. Then, a sterling devaluation could be requested if and when a real shock (eg a sharp decline in oil production) hits the UK economy.

Mr Jackson overlooks the fact that, thanks to credibility effects and to more effective foreign exchange market intervention, belonging to the EMS allows the defence of a given exchange rate level with lower interest rates than otherwise. This fact becomes all the more important if coupled with the fact that—since 1983—UK authorities have been "shadowing" the EMS, thereby imparting an upward bias to domestic interest rates in spite of being outside the system. True, participation in (or shadowing of) the EMS increases domestic interest rates' volatility. Higher volatility, however, would be confined to short term rates, and it is doubtful that the latter are a significant determinant of investments. The buoyancy of UK bank lending and wage earnings is already fuelling inflation (expectations), especially since the lack of monetary targets and/or incomes policy is coupled with the lack of a credible exchange rate target.

Giorgio Radcliffe,
68 Queens Road, SW19.

Reform of the rates

From Mr O. Smedley

SIR,—I should like strongly to endorse the views of your correspondent Mr Henry Law (June 23) on the subject of the Government's rate reform proposals, particularly his final sentence in which he writes, "What we should really be concerned about is the influence

Letters to the Editor

of the present method of assessment, which penalises improvements and rewards those who keep land and buildings out of use."

The logical way to reform the rating system is to carry on where the young Winston Churchill and, later, Philip Snowden had to leave off and to assess rates on the unimproved site value of land itself, irrespective of what may or may not stand on it. The case is so overwhelmingly obvious that I sincerely believe that the backlash from the palpable injustice of the Government's proposed community charge on poll-tax will bring it once more to the surface.

Oliver Smedley,
Garden Cottage, Duck Street,
Wendens Ambo, Saffron
Walden, Essex.

Status of schools

From Mr G. Howell

SIR,—If some state schools become charitable trusts and their subsequent monetary value exceeds their value as educational concerns, will the monetary value of the property revert to the state or be distributed among other charitable trusts as is accepted by the laws relating to such trusts?

The state could very well be giving away large tracts of valuable property to incompetent charitable trusts whose only way of surviving is to sell the property they own to keep (their heads above water) in balance.

Very careful thought is needed in drafting enabling legislation and careful study of the existing educational charitable trusts. A good many of these, for example, do not even bother to make their returns to the Charity Commissioners, as required by law.

Fund raising powers for parents and governors is a good plan, especially if it permits better staff/pupil ratios, but even the most radically conservative educator would need very careful conviction to be certain that the financial aspect is properly considered. Conservative councillors are interested in maintaining and if possible increasing the value of their assets. They are prepared (Conservatives) as a point of policy, for the sale of council houses, but does the property owning democracy theory extend in any way to the charitable owner/trusteeship of schools? I think not and one might well refer to Platonic theories of education to decide

whether the state already exercises the best "charitable interest" for the nation's children. Gareth Huw Howell,
10 North Heath Lane,
Horsham, Sussex.

Single-union deals

From the National Staff Officer, General, Municipal, Boiler-makers and Allied Trades Union

SIR,—Your report "single-union deals attacked by GMB" (June 24) misrepresented the position of GMB. Single-union deals are a rational way of representing members, particularly on new sites.

Matsa (the staff section of GMB) has been actively campaigning for, and signing single-union deals in many areas since the launch of our "Into 2000" package.

Our opposition is not to single-union deals. We oppose no-strike clauses, sometimes included in single-union deals when used as a tactical device by certain trade unions who want to gain entry into a sector of industry where they previously had no influence. This approach may tempt some employers, but it shows a steady disregard for the rights of employees.

Matsa believes in single status for all employees, high levels of flexibility and problem-solving system based on negotiation and arbitration. We do not believe that no-strike clauses should form part of any approach. Matsa's approach seeks to avoid the need for any strikes but to outlaw strikes is to remove a basic civil right.

The industrial and commercial world and its employees need new forward-looking agreements. Single-union deals are part of the future. Those deals, however, must be of high quality and fair to staff.

David Plant,
Thorne House, Rusley Ridge,
Claygate, Esher, Surrey.

Navigational hazards

From Mr R. Crowther

SIR,—I refer to the review by David Bolton (June 20) of a new waterway plan for the Avon. The higher Avon does not have a public right of navigation, therefore no through route can be created unless all riparian owners agreed and were compensated for the loss of their proprietary rights. This is highly unlikely.

Authority gave a conditional land drainage consent in 1978 for water levels, but no detailed proposals have even been put to it. When they are, the authority will consider them in the light of its responsibilities under the various acts, including the Wildlife and Countryside Act.

The comment about the National Trust is quite incorrect—it is totally opposed to powered boats passing through its private waters at Charlcombe Park. As are also Warwick Castle and other riparian landowners.

British Waterways Board will not allow access on to the Grand Union canal for boats wider than 6 ft 10 ins, so a broad-beam across-country navigation is incorrect.

Even if local authorities do support the proposals, this will make very little difference, as all the main decisions rest with Severn-Trent and finally with the riparian owners. Henry Crowther,
Fiddlers Wood, Bredon,
Nr Tewkesbury, Glos.

Patents and management

From the Managing Director, New Product Management.

SIR,—Until patents are integrated into the cycle of management of new products and ideas, businessmen will continue to be frustrated by both the patent system and plagiarists, as discussed in Charles Batchelor's article on June 15.

One could argue that Britain's declining GNP since the 1950s (relative to major industrial nations) is a direct result of failure to protect innovations from cheaper competition, with the consequential erosion of profits and ergo money to invest in R&D, leading to an inexorable downward spiral.

There is ample evidence to suggest that British businessmen seem to have lost sight of, or do not really appreciate, the essentials and methodology for inhibiting, if not preventing, competitors from stealing the fruits of their labours. Which contrasts with the Japanese, who today own 40 per cent of all patents filed worldwide.

Perhaps it is time for a new government initiative, focused on patent management, Eric T. Parker,
63 Lincoln's Inn Fields WC2.

Changing times

From Mr M. Rothwell

SIR,—What a let-down, the story (June 23) under the heading: "Monks to steer TUC into changing times."

So many readers will have hoped that the brothers were taking a lead from those other brothers—the Trappists. Mike Rothwell,
Abbott Phelps Tanous,
5, Carthusian St, ECL.

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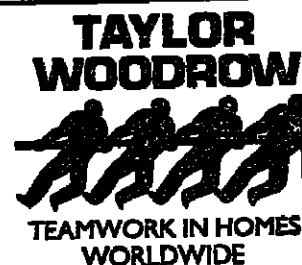
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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday June 26 1987



Henkel offers FFr 2bn for French company

BY HAIG SIMONIAN IN FRANKFURT AND GEORGE GRAHAM IN PARIS

HENKEL, the West German specialty chemicals and detergents group, has reached preliminary agreement to take over Lesieur-Cotelle, the French washing and detergents company for FFr 2bn (\$326.5m).

The deal has still to be put to worker-management boards at the two companies and requires the approval of the French Government.

The price Henkel is to pay for Lesieur-Cotelle, which includes all of its detergent and cleaning product operations, is 38 times its 1986 profits of FFr 53m, and one and a half times its annual turnover of FFr 1.354bn.

Henkel is already active in the French market under its own name and through subsidiaries such as

Sidobre-Simova. It employs 2,600 in France and had a turnover there of DM 974m (\$532m) in 1986.

The sale follows the takeover in November last year of Lesieur by St Louis Bouchon, France's second largest sugar manufacturer. St Louis's takeover bid valued the whole of Lesieur, which mainly produces cooking oils, at only FFr 2.37bn.

Mr Bernard Dumon, St Louis's chairman, said at the time of the merger that the new group would be centred on food products where it held the number one or number two position in the French market. In the cleaning products area St Louis occupied a weaker position.

Henkel has been expanding rapidly in recent years while going through a substantial restructuring

process. Its profits rose by 28 per cent to DM 226m last year, and the group, which is still privately owned, anticipates an increase to around DM 270m this year.

The latest takeover will come as a major boost to Henkel's foreign expansion plans, while allowing Lesieur-Cotelle's parent company to fulfil its plans of concentrating on the food business. In 1971, Henkel bought the company's washing powder and production facilities in Reims.

However, the takeover is a large one even by Henkel's recent standards and it has been suggested that it may have had to pay a very full price because both Unilever and Colgate-Palmolive were sniffing around Lesieur-Cotelle.

W German metal group outlines plans

By Bernard Simon in Calgary

METALLGESELLSCHAFT, the West German metals and engineering group, plans to balance its expanding mining business between precious and base metal projects in North America, Australia and the Third World. This was stated by Dr Klaus Zeitler, president of Metall Mining Corporation (MMC), the German group's Toronto-based subsidiary which is in the closing stages of its first public share offering.

MMC, which is Metallgesellschaft's main worldwide mining vehicle, will raise C\$160m (US\$124m) from the offering to finance new investments. The size of the issue, which includes a C\$36m tranche bought by Agip, the Italian energy group, is more than double the amount initially planned last April.

The remaining C\$124m will be divided roughly equally between European and Canadian investors.

The share issue will give MMC a debt-free balance sheet and working capital of around C\$130m.

Dr Zeitler said that the company has no immediate investment targets. Its plans to expand its participation in joint ventures, especially in partnership with companies which already have an association with the German group, such as Teck and Cominco of Canada and the Australian company, MIM Holdings.

Besides its minority equity interests in these Canadian and Australian groups, MMC has a stake in a number of specific projects in Canada, Australia and Turkey, as well as the Ok Tedi gold and copper mine in Papua New Guinea. MMC's net asset value is around C\$450m.

Dr Zeitler said that long term projects may include an expansion of Cominco's zinc smelter at Trail, British Columbia, from an annual capacity of 300,000 tons to 400,000 tons. A new lead smelter at Trail is due to come on stream in 1988.

Dispute between Chris-Craft and Warner breaks into the open

BY WILLIAM HALL IN NEW YORK

THE LONG, simmering dispute between Warner Communications, the US entertainment and communications company, and its biggest shareholder, Chris-Craft Industries, has broken out into the open with Chris-Craft losing a proxy battle to get one of its directors re-elected to the Warner board.

Following a crowded annual general meeting in New York on Wednesday, Warner announced that its shareholders had approved the re-election of four of its directors, excluding Mr Howard Arvey, a Chicago lawyer and one of five Chris-Craft representatives sitting on the Warner board.

Warner's board had originally planned to support the re-election of Mr Arvey but withdrew its support when Mr Herbert Siegel, the founder of Chris-Craft Industries,

refused to confirm that he would support Warner's list of directors at the annual general meeting.

Mr Siegel rescued Warner from an unfriendly takeover bid by Mr Rupert Murdoch, the Australian-born publishing magnate, three and a half years ago. It took an effective 17 per cent stake in Warner, which was reeling from massive losses incurred during its involvement with its Atari video games unit.

However, the "friendly" investment quickly turned sour and friction between Mr Steven Ross, who has headed Warner for 25 years, and Mr Siegel has increased. In particular, Mr Siegel has attacked Mr Ross's generous new employment contract.

Earlier this year, he issued a statement saying that Warner's board of directors had "frequently

acted in bad faith, has failed to exercise prudent and responsible business judgment, has consistently kept itself uninformed as to the most basic of issues and has adopted a policy of 'rubber-stamping' all the management requests".

Warner has offered Mr Siegel \$1.25bn to buy back the Chris-Craft stake but this has been rebuffed. Wall Street analysts speculated yesterday that by dropping its support for the renomination of the Chris-Craft directors, Warner was putting pressure on Mr Siegel to settle a dispute which has "created uncertainties at the operational level of the company".

Mr Ross went to some lengths yesterday to underline the dramatic transformation in the fortunes of the 25-year-old Warner Communications, which he described as "one

of the strongest entertainment and communications companies in the world".

He noted that Warner's market value has risen from \$12.4m, when it went public, to well over \$5bn now and that the compounded average annual return to shareholders over the last 10 years was 23 per cent a year.

"Warner Brothers has been the most successful motion picture company in the world for the last 17 years", and "our record company has been the most profitable in the industry, including foreign competitors, seven out of the last 10 years", said Mr Ross.

Warner has been completely restructured and the residual holdings in the companies it has sold are now worth \$700m, yet they are carried in the books at \$75m.

Dainippon Ink makes \$460m bid for Reichhold Chemicals

BY JAMES BUCHAN IN NEW YORK

DAINIPPON INK and Chemicals, the large Japanese chemical group which has been expanding aggressively in the US, yesterday launched an unexpected offer of \$52.50 a share, or about \$460m, for control of Reichhold Chemicals, an US maker of industrial adhesives and polymers.

The offer, announced in newspaper advertisements yesterday morning, sent Reichhold's stock soaring as Wall Street prepared for a full-scale auction for the company, which is based in White Plains, New York.

Reichhold's stock price, which has risen strongly this year in anticipation of a sharp recovery in earnings, leapt 51 1/2% in early trading yesterday morning to \$58, valuing

the company at \$520m on a fully-diluted basis.

Analysts speculate that other Japanese and European chemical groups, whose home currencies have appreciated against the US dollar, may be interested in buying Reichhold, which has almost completed a large-scale restructuring.

Reichhold's management might also seek to recapitalize the company or take it private. "I think the company is in play," said Mr Leonard Bogner, a chemicals industry analyst at Prudential Bache.

Reichhold said yesterday that it was studying the offer, which surprised Wall Street with its aggressiveness.

Dainippon says it already owns 4.5 per cent of Reichhold. It said it

was filing a lawsuit against the company and its directors to redeem certain rights attached to shares introduced as part of a "poison-pill" defence in April.

Last year, Dainippon made an unsuccessful hostile offer for Sun Chemical, but ended up buying the company's ink division for about some \$50m. "They got the bit they wanted," said Mr Robert Reitzes, an analyst at Mabon Nugent.

Reichhold, which has sold off its commodity chemicals businesses in favour of concentration on higher-technology uses, reported net income last year of only \$8m on sales of \$76m.

However, earnings are expected at least to double this year.

Saab-Scania earnings hit by dollar fall

By Sara Webb in Stockholm

SAAB-SCANIA, the Swedish automobile and aerospace group, reported a 15.5 per cent drop in profits in the first four months. This was due chiefly to lower profits in its car division, a consequence of the lower dollar.

Profits (after financial items) were SKr 887m (\$139m), compared with SKr 1,051m a year ago. Sales, however, climbed 16 per cent to SKr 13,257m, against SKr 11,422m the previous year.

Saab-Scania expects profits (before allocations) for the full year to be about SKr 2.9bn, which represents a 12-15 per cent drop on last year's record figure of SKr 3.3bn. This is the first time in a decade that annual profits have declined. The group said overseas sales had increased by 20 per cent to SKr 6,877m.

Lorimar to sell television stakes

BY OUR NEW YORK STAFF

LORIMAR TELEPICTURES, the leading US independent television production company whose programmes include Dallas, Falcon Crest, Knots Landing and People's Court, has formally abandoned its ambitions to grow into a broadly based media conglomerate.

The company, formed less than two years ago by the merger of two of Hollywood's largest TV production studios, says it is planning to sell its holdings of television stations, publishing interests and advertising agencies, which it had been expensively expanding in the past 18 months.

Lorimar also says it will take a charge of \$31m to cover losses in its home video operations, where three senior managers were recently dismissed for "conflicts of interest". The immediate effect of the res-

tructuring will be to generate a net loss of \$63m in the current quarter and a loss of approximately \$8m for the year ended March 31. No comparable figures are available for the year earlier because the merger between Lorimar and Telepictures was completed only in February 1986.

The losses were essentially attributable to "one-time charges that reflect positioning our company for profitable growth, not operating problems that will continue into the future," said Mr Merv Adelson, Lorimar's chairman.

The company now plans to concentrate on its core television, motion picture and home video production businesses. These core businesses would constitute a company with a net worth of nearly \$400m.

Imasco set to cut stake in TrustCo

By Robert Gibbons in Montreal

IMASCO, the tobacco products, fast food and retailing group, is ready to reduce its interest of almost 100 per cent in Canada TrustCo to 65 per cent under federal policy guidelines. But it will fight for the freedom to expand its financial services arm without restriction.

Imasco acquired Canada TrustCo, the country's second largest trust company, a year ago with the takeover of Genstar, a Vancouver-based conglomerate. It has since sold most of Genstar's non-financial assets, leaving the net cost of Canada TrustCo at about C\$1.8m (\$1.35bn).

The Government has proposed that all conglomerates reduce their holdings in financial institutions to a maximum 65 per cent. However, it also says the growth of such institutions will be restricted.

NEW ISSUE

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INTERNATIONAL COMPANIES and FINANCE

MMC's image begins to sparkle

THE COVER of this year's annual report for Malaysia Mining Corporation, one of the world's biggest tin mining companies, shows three tin ingots sparkling like diamonds.

That, according to its directors, reflects literally the reversal of the company's image.

"For us, tin is now a secondary business," says Mr Ibrahim Menudin, MMC's group chief executive.

He adds that the group is emerging from the ravages of the 1986 tin price collapse, and is setting its sights on becoming an international mining house.

The plan is to expand beyond Malaysia, and to invest in the search for diamonds, gold and other precious minerals.

This aggressive diversification is understandable following the sharp slide in earnings in recent years. Pre-tax profits have fallen from 69.8m ringgit (US\$27.8m) in 1984 to 15.4m ringgit.

The group had to slash its dividend from 3.6 cents a share to 1.2 cents.

Tan Sri Nasaruddin Mohamed, the chairman, stressed the group "remains committed to maintaining its eminence in the tin industry."

However, it could no longer rely entirely on tin for its earnings base.

Already, MMC has a respectable range of interests outside the tin industry. Ashton Mining of Australia, its 46 per cent-owned associate, has a 38 per cent stake in the Argyle diamond project in Western Australia.

The project is the world's biggest diamond producer, and turned out 29.2m

Mr Ibrahim Menudin, chief executive of Malaysia Mining, has embarked on diversification taking his group into gold, silver and diamonds. Roger Matthews and Wong Sulong in Kuala Lumpur examine the company's prospects



carats of diamonds last year, although the bulk of it is non-jewellery quality.

Mr Ibrahim said he was expecting Ashton to contribute between 30 and 35 per cent of MMC's earnings in the next three to five years. Last year, Ashton made a profit of A\$28m (US\$20.8m).

Last month, MMC announced a rights issue to raise 103m ringgit, part of which will go to finance its new exploration activities.

These will particularly concentrate on gold prospecting in Thailand, Indonesia and Alaska.

It has located some gold and silver deposits in Malaysia, and is making a final evaluation on the Mengapur find in Pahang.

An investment of between 100m ringgit and 300m ringgit is required if it is decided to exploit the deposit.

MMC executives say its international development programme should not be constrained by restrictive equity requirements imposed by an increasing number of resource-rich countries, noting that Malaysia itself had adopted similar policies.

In the four promising areas which MMC is prospecting, the company has been permitted a stake of at least 40 per cent.

If this is not enough to put a sparkle back into MMC's performance, its directors are also exploiting the group's long-established engineering expertise.

Its engineering division has secured and in some cases completed several major engineering contracts for Petronas, the national oil company, as well as the National Electricity Board.

Meanwhile, there is increasing market speculation on the future of MMC's 15.3 per cent investment in Sime Darby, the plantations group. MMC officials did nothing to dampen the speculation this week by confirming that an announcement on the future of its Sime Darby holding would be made within a few months.

At current market prices, the stake is worth 564m ringgit which, if realised, could give MMC a range of opportunities for acquisitions and expansion.

Last week's announcement by Charter Consolidated of the UK that it has sold its 13.8 per cent stake in MMC for £38m (\$60.8m) appears to have caused little anxiety to its Malaysian management.

Executives said they saw the sale as evidence of Charter's desire to concentrate more on the manufacturing sector, leaving mining to Anglo American, its parent.

Charter was MMC's second largest shareholder. Almost 50 per cent of the company is held by Permodalan Nasional, the Malaysian government investment agency.

Mr Ibrahim characterised MMC's past decade as "five fat years, followed by five lean years" and expressed cautious optimism of rising earnings.

The stock market has pushed up the company's share price from a low of 65 cents at the height of the tin crisis last year to 3.3 ringgit this week.

Sterns Diamond returns to profits

By Jim Jones in Johannesburg
Sterns Diamond Organisation, the South African retail jewellery chain which has just been acquired by British interests, returned to profits in the year to March and expects a further profit advance in the current financial year.

Turnover rose by 24 per cent to an undisclosed level and the trading profit before interest and tax almost doubled to R3.23m (\$1.6m) from R1.67m.

The pre-tax profit was R3.30m, which compares with a loss of R181,000 in the previous year.

Control of Sterns has been acquired from the Barnett family by Sylvester, a company incorporated in the UK. Sylvester paid the Barnetts R6.23m, which is equivalent to \$1.83m at the current financial year exchange rate, for their 1.82m shares.

A comparable offer at \$41.1 cents a share is soon to be made to Sterns' other shareholders who own 1.92m shares.

Sterns has no direct links with the Israeli-owned world-wide jewellery manufacturing and retail chain of the same name.

Net earnings were 58.9 cents a share in the year just ended, against a deficit of 10.2 cents in the preceding year.

State boosts SIA share offer

THE SINGAPORE Government has cut its shareholding in Singapore Airlines (SIA), the island's flag carrier from 62.9 per cent to 53.5 per cent, thus satisfying all the 7,238 applicants who applied for its latest share offer.

After floating 30m shares at \$413 each, an additional 16.2m shares will be offered. Net proceeds are about \$960.1m

(US\$283.5m), writes Ong Li-Er in Singapore.

Some 43 per cent were applications from overseas investors. According to one foreign broking firm, A total of about 20m shares have been allocated to foreign applicants who will have to join a queue for registration.

The limit on foreign ownership is expected to be lifted from 20 per cent to 25 per cent

at a shareholders' meeting in August. Upon approval, an additional 30.9m SIA shares will be eligible for registration.

Meanwhile, there has been talk that foreign institutions which are not keen to join the registration queue have decided to buy from the open market, which would place them ahead of those allotted shares from the offer.

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THE KYOWA BANK, LIMITED

(Incorporated with limited liability in Japan)

U.S. \$30,000,000

Negotiable Floating

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Certificates No. 000001 to 000030 issued on 26th July, 1985,

Maturity 28th July, 1988, Callable in July, 1987.

Notice is hereby given in accordance with the conditions of the above Certificates of Deposit (the "Certificates") as printed on the reverse of the Certificates that The Kyowa Bank, Limited (the "Bank") will prepay all the outstanding Certificates on 28th July, 1987 (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Bank at Princes House, 33-35 Gresham Street, London EC2V 7NA.

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CHEMICAL BANK INTERNATIONAL LIMITED,
as Agent Bank

26th June, 1987

Bonds Coats stake bought

LINTAS and Entrad, two Australian textiles companies, have formed a joint venture to buy shares in Bonds Coats Patons, textiles producer, which has received a takeover bid from Pacific Dunlop, AF-DJ reports from Sydney.

They have acquired 11 per

cent of Bonds Coats, in which Coats Virella of Britain has a 54.5 per cent stake.

The bid by Pacific Dunlop is A\$5.75 a share. The joint venture has been buying Bonds Coats shares on the market at up to A\$6.20.

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INTERIM REPORT JANUARY-APRIL 1987 HIGHLIGHTS

Consolidated sales increased to SEK 4,832m (3,548m).

Income after financial items rose from SEK 115m to SEK 167m.

Pegulan and Wilkinson Sword are included in the accounts.

The newly acquired units contributed to the improvement in income.

Earnings per share during the past 12 months increased to SEK 9 (6). (Following the 5:1 split.)

Return on equity amounted to 15 percent (11) on a 12-month basis.

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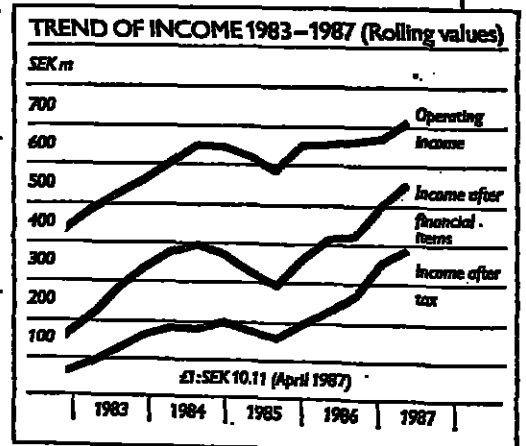
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SWEDISH MATCH



INTERNATIONAL COMPANIES and FINANCE

Offer made for Italian state cement company

By Alan Friedman in Milan

A JOINT offer for Cementir, the cement subsidiary of Italy's Iri-Fininvest state steel group, has been made by a consortium consisting of the cement companies controlled by the Agnelli, Ferruzzi and Pescetti groups.

While there is believed to be another domestic offer for Cementir, the revealed bid is considered the front-runner.

In April, the loss-making Fininvest asked Paribas, the French merchant bank, to handle the disposal of its 51 per cent shareholding in Cementir, which is also quoted on the Milan bourse. It is not known how much the Agnelli-Ferruzzi-Pescetti consortium is offering, but Cementir's market capitalisation stands at L393bn (US\$297m).

Lawyers handling the privatisation offer put the finished touches on the bid on Wednesday. The consortium consists of Unifem, the cement company controlled by the Agnelli family's Iri Holding vehicle; Calcestruzzi, the company controlled by Ferruzzi; and Italcementi, the Pescetti family's cement business.

Cementir last year made a L30.3bn net profit on L250bn of turnover.

The Cementir privatisation is one of two such deals currently nearing resolution in Rome. The other is the Eni state energy group's plan to sell Lanerossi, its yarn and textile subsidiary. A consortium made up of Benetton and Inghirami is the front-runner on the Lanerossi deal, which is also being handled by Paribas.

Ferruzzi, has acquired, from Montedison, control of Mira Lanza, Italy's largest detergent manufacturer. Ferruzzi subsidiary, paid L50bn for a 29.9 per cent stake in Mira Lanza. This brought Ferruzzi's holding up to 55 per cent.

Mira Lanza, which in 1986 had total sales of L396bn (\$598m), was previously controlled jointly by Ferruzzi and Montedison. Ferruzzi has effective control of Montedison by virtue of its recently acquired 40 per cent holding in the chemicals, energy and financial services group.

Spanish utility suffers heavy loss

BY DAVID WHITE IN MADRID

FECSA, THE Spanish electrical utility which is negotiating with foreign and Spanish banks in order to ease a \$4.8bn debt burden, yesterday announced losses of Pta 12.7bn (\$100m) for 1986, with deferred costs of Pta 22.8bn.

The loss, which represents more than 9 per cent of turnover, compares with a declared pre-tax profit of Pta 5.7bn in its accounts for 1985, which were criticised by Arthur Andersen, the auditors, for failing to comply with internationally-accepted accounting standards.

Mr Luis Magana, the chairman appointed after Fecsa's shares were suspended in Feb-

ruary, said the necessary adjustments had been made in the 1986 accounts for the criticised practices—notably, the degree to which the company had been capitalising expenses.

However, the auditors still expressed a reservation with respect to its deferred costs, for which rules still have to be set under a new legal framework for the electrical sector in Spain.

Mr Magana, who faces his first shareholders' meeting tomorrow, said the loss was virtually half of what it would have been without last year's favourable change in exchange rates.

He said this year was "not

going to be easy." It was unlikely to provide improved results as the viability plan under discussion with creditors would have an impact on only a fraction of the year.

Fecsa, which has suspended principal repayments to bank creditors had total debt including bonds of Pta 616.7bn (\$4.8bn), at the end of 1986. Of this, Pta 188.6bn was in foreign currency.

After lifting its threat to enforce a unilateral reduction of interest on bank loans Fecsa held its first meeting with a negotiating committee of bank creditors on Tuesday. Mr Magana described the atmosphere as "frankly constructive." However, further meet-

ing has not yet been fixed.

Other Spanish electrical companies have injected Pta 16bn into Fecsa, through a recent 25 per cent capital increase in which shares were offered at 70 per cent of their nominal value. The operation, in which small shareholders took a minor part, raised Fecsa's nominal capital to Pta 115.9bn.

More than a third of last year's declared loss—Pta 4.5bn—came from mining subsidiaries, which along with a heavy rate of recent investment set Fecsa apart from other companies in the sector. Mr Magana said. In the past 10 years, its mining interests had accumulated losses of Pta 60bn.

Shell joins Dutch group for bio venture

By Tony Jackson

SHELL is to form a worldwide joint venture with Gist-Brocades, the Dutch pharmaceutical and chemical company, to make industrial enzymes. With sales of \$120m and 850 employees, the venture is claimed to be the world's second biggest producer of industrial enzymes after Novo of Denmark.

To be known as General Bio-Synthetics (GBS), the company will put together the manufacturing facilities of both companies in Belgium, the UK and US. The chief executive will be Mr Andrew Oliver, head of the Shell subsidiary Ward Blenkinsop, which will be part of the venture.

GBS aims to apply biotechnology techniques to enzyme production, and to launch businesses making biotechnological versions of fine chemicals, polymers and pesticides. The two companies have co-operated in research in these areas since 1981.

Enzymes for the food industry are to remain with Gist-Brocades.

VARTA sales slip
VARTA, the West German battery producer, expects another satisfactory profit in 1987 despite a fall in turnover for the first five months, reports Reuter.

Deutsche Bank to incorporate Asian unit

BY HAIG SIMONIAN IN FRANKFURT

DEUTSCHE BANK (Asia), the former European Asian Bank, which is now wholly-owned by Deutsche Bank, West Germany's largest commercial bank, is to be gradually dismantled and incorporated into its parent's network.

The news follows Deutsche Bank's purchase of the outstanding 25 per cent stake in Deutsche Bank (Asia) from Creditanstalt-Bankverein of Austria at the end of April.

Deutsche Bank (Asia) has 20 branches and subsidiaries from Pakistan to Korea, and according to plans announced in stages to staff of the Hamburg-based bank, a number of senior

employees will be relocated to local branch offices in the Far East.

Some 30 or more senior staff will go to a new regional centre in Singapore, which will supervise the bank's Far East business.

The rump of the workforce will be transferred to Deutsche Bank's Frankfurt headquarters, where they will form a Far East department within its international division. Deutsche Bank has concentrated on investment banking in the Far East rather than developing any substantial commercial banking presence there.

Those employees not wishing

to move to Frankfurt are expected to be offered jobs in Deutsche Bank's domestic branches in the Hamburg area.

The move is unsurprising since Deutsche Bank gained full control of Deutsche Bank (Asia). No decision has yet been reached, but the eventual closure of the bank's Hamburg base seems likely, as does the disappearance of its name.

The disappearance of Deutsche Bank (Asia) marks another nail in the coffin of consortium banking—European Asian Bank started life with seven international shareholders.

Closing down the bank as an

independent unit will also mean its results will no longer have to be reported separately.

European Asian Bank's heavy loan losses in 1984 and 1985 were a costly embarrassment for its remaining shareholders. Although these troubles have been left behind, the eventual consolidation of the bank's results into those of its parent will make any future problems that much harder for outsiders to detect.

Nipping such difficulties in the bud was probably one of the main reasons behind Deutsche Bank's initial decision to absorb the bank.

Finnish group lifts early earnings to FM282m

BY OLLI VIRTANEN IN HELSINKI

NOKIA, FINLAND'S largest industrial group with interests in electronics, cable, paper and rubber industries, virtually doubled its profit before tax and minority interests to FM 282m (\$63.6m) during the first four months of 1987 from FM 140m in the same period last year.

Net profit attributable to shareholders rose from 3.9 per cent to 6.9 per cent as a percentage of net sales, while earnings per share from 2.3 per cent to 3.9 per cent. The group net sales rose 12 per cent to FM 4.1bn for the period.

Electronics, which accounts for 45 per cent of the group's

net sales, rose 24 per cent to FM 1.8bn. The rubber and flooring business slumped by 13 per cent to FM 943m.

The improved performance is mainly attributed to the stronger performance in electronics, notably in the Luxor consumer electronics sector, which has performed poorly in the past.

Mr Kari Kairamo, Nokia chairman, regards the outlook for 1987 as good. Group net sales are expected to grow by "more than 10 per cent" while profit before tax and minority interests will show a "clear improvement" on the 1986 figure of FM 604m.



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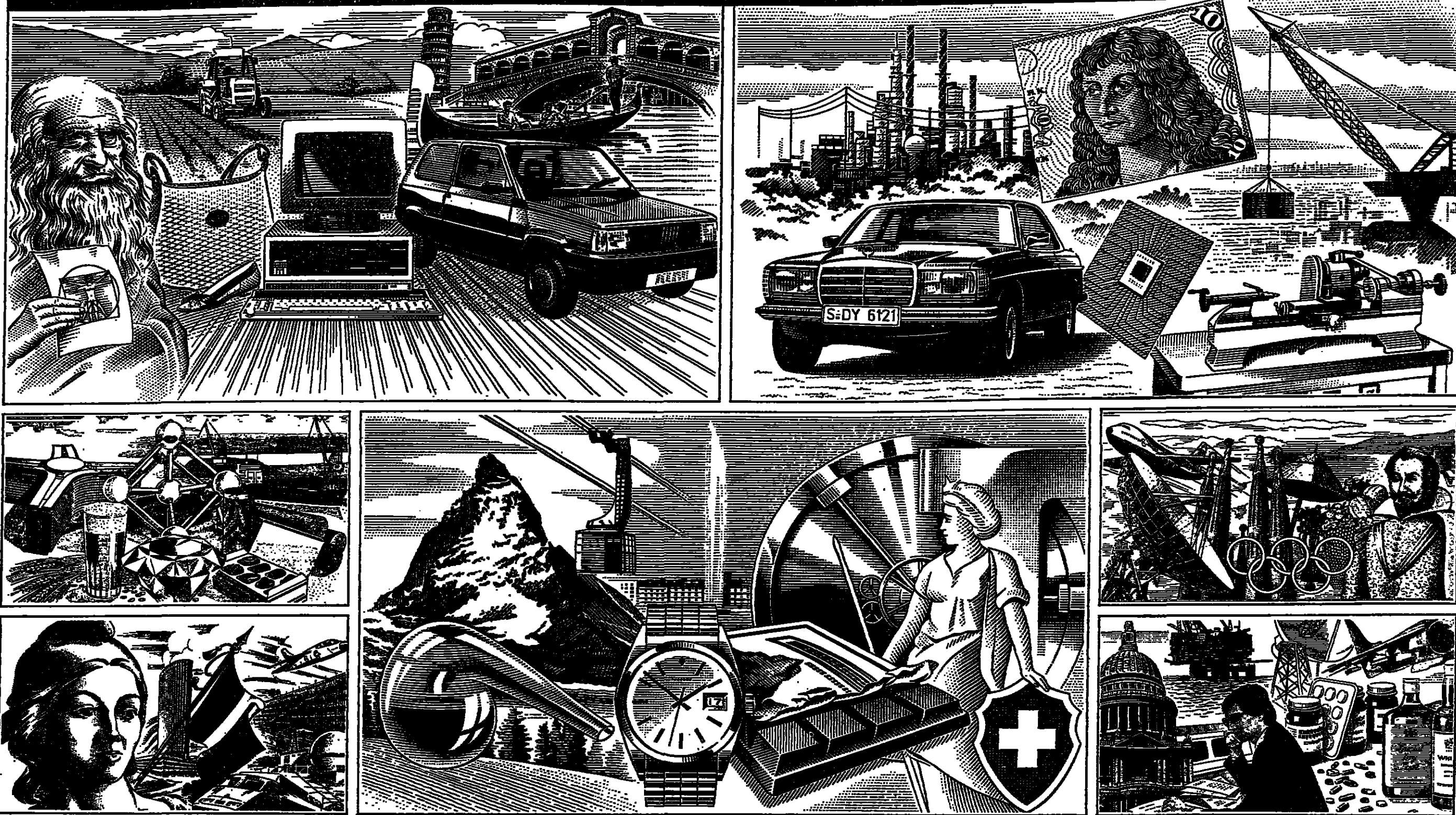
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Italy is one of Europe's fastest growing economies. Resilient to political changes and to the recession of the late 1970's, Italy's GNP has recently overtaken that of the UK and is now comparable to that of France.

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Attractive Prospects Over £10 billion of new equity raised by Italian companies in 85/86 has lowered financing costs and provided new production facilities—and the full benefits have yet to show in earnings. Last year's correction in the Italian Stockmarket has provided a sound buying opportunity—certain to be supported by strong domestic investment. Italy also has an uncommonly high household savings rate, higher even than that of Japan. This is not a recent development, since a high propensity to save has been a constant feature of the Italian economy for decades.

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The industrial excellence and technological skills of Germany need little introduction. This is one of the world's three leading economies, and the Deutsche Mark is an important reserve currency. In spite of the Deutsche Mark's strength, Germany continues to enjoy vast export markets—US\$ 300 billion in 1986—and a healthy domestic economy.

Time to Buy The German Stockmarket has been unselectively sold on exaggerated fears of the effects on exports of the high Deutsche Mark and is now, we believe, substantially undervalued. It lists many world-leading companies that should feature in any well-balanced portfolio and their attractions, at current levels, are fast becoming evident to the large institutional investors of the USA and Japan.

The Fund Duménil German Growth Fund is a UK authorised unit trust aiming for maximum capital growth through careful research and active investment principally on the Frankfurt Stock Exchange.

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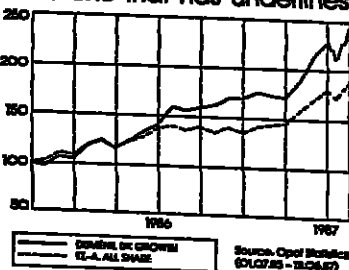
Investment Opportunities Switzerland offers a useful combination of strong, defensive investment (such as banking) with excellent individual investment opportunities—in particular, the increasing number of high quality companies seeking new listings. Another potential source of growth for UK investors is, of course, the continuing strength of the Swiss Franc.

The Fund Duménil Swiss Growth Fund is a UK authorised unit trust aiming for maximum capital growth through selective and active investment in the Swiss Stockmarkets. The fund will be managed by Duménil Unit Trust Management Limited in London. Advisers to the fund are Pictet & Co. in Geneva, one of the world's leading private banks, established in 1805, who manage assets of £12 billion and are widely respected in Switzerland and abroad for the quality of their research and analysis.

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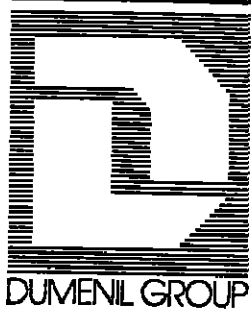


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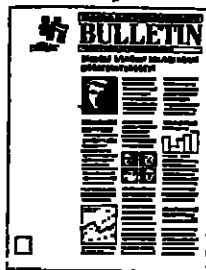
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UK COMPANY NEWS

TSB achieves
£132m midway

BY HUGO DIXON

TSB, the financial services group, announced pre-tax profits of £131.8m for the 23 weeks to April 30, giving the first real indication of how it has been performing since its £1.5bn flotation last September. The interim results cover a shorter period than normal because of a change in the year-end from November 20 to October 31. Pre-tax profits adjusted to a 26-week basis for those parts of the group for which it is relevant were £144.9m, a 51 per cent increase from the same period in the previous year.

However, the underlying rise is not as large as £3.2m (unadjusted) relates to income from the first instalment of money raised during the flotation. There was a further £15.8m profit from sales of gilts (£6.7m).

The group's banking profits at £71.6m (£69.4m) were sluggish, partly because competition for retail deposits squeezed margins and partly because the balance sheets of the group are still underlent. Advances to customers were 23.6 per cent of total assets at the end of the period compared with 38.9 per cent at the beginning. Assets had grown from £13.2m to £13.8m.

The banks within the group have still to make much impact on the corporate market. The value of its retail commercial book was about £400m and its wholesale commercial lending only £200m.

Personal banking continued to perform reasonably well with a 200,000 increase in the number of cheque accounts and a mortgage book which now totals £1.9bn. The profit from the group's four banks when commissions for passing endow-

ment business to TSB Trust Company, the group's life and unit trust subsidiary, are included, was £89.3m. Other personal financial services showed strong growth. Profits from insurance and unit trusts were £21m (£16.5m) and from vehicle rental and leasing £3.1m (£2.1m).

The group's credit card, Trustcard, which is operating more smoothly now that all the administration is being carried on in-house rather than through Barclaycard, contributed profits of £5.8m (£3.5m).

Profits from the group's finance house, UDT, grew to £7.1m (£4.5m). The provision for bad and doubtful debts was £26.4m (£29.0m), which included extra provisions for the group's tiny third world exposure of less than £30m.

The total provisions for third world debt are now £8m, which made the group "more than adequately covered on a Nat-West basis," Sir John Read, the group's chairman, said. "This was a reference to National Westminster Bank's decision to make a one-off provision for its debts to recheduling countries earlier this month."

Staff costs were £154.9m (£155.1m), and other costs grew to £128.5m (£14.1m). This was partly a reflection of the extra costs involved in being a public company with 2.1m shareholders contributing 1 per cent of its profits to charity.

Profits after tax and minority interests were £84.2m. Proforma earnings per share were 7.7p on a six month basis, compared with 14p in the whole of the previous year. The directors have declared an interim dividend of 1.17p net.

See Lex

BTP profits show 38%
improvement to £5.95m

BY CLAY HARRIS

BTP, the chemicals group, increased pre-tax profits by 38 per cent from £4.3m to £5.95m in the year to March. Turnover rose from £49.6m to £61m. The results did not include any contribution from Barrow Hepburn, the chemicals and engineering company, for which BTP paid £31.5m earlier this year.

BTP has incorporated Mydrin, Barrow's polymers operation, into its chemical division, but apparently intends to leave the other activities as stand-alone units within the group.

An extraordinary credit of £69,000 (£268,000 debit) reflected the net surplus arising from the sale of 50 per cent of Dufay Titaine to Desoto of the US less re-organisation costs and the loss from other disposals.

A higher tax charge of 37 per cent (33 per cent) increased payments to £2.23m from £1.43m. With earnings per share rising to 9.30p (8.3p), a final dividend of 3.5p (3p) would make a total of 5.5p (4.5p).

BTP shares added 9p to 212p.

Kleinwort
retained by
Harcourt in
bid defence

By Clay Harris

Kleinwort Benson, the UK merchant bank, has been appointed by Harcourt Brace Jovanovich, the US publisher, to assist in its defence against Mr Robert Maxwell's British Printing and Communication Corporation.

The British bank, which has found itself at odds with Mr Maxwell in a number of contested bids, will work with First Boston, Harcourt's US adviser. Kleinwort's involvement is believed to break new ground for a UK bank in defence of a US company.

Mr Leslie Goodman of Hill Samuel, Mr Maxwell's UK adviser, said: "They're obviously feeling under pressure."

Hill Samuel has worked jointly with Rothschild, the US investment bank, since BPCC first proposed its \$2bn (£1.2bn) offer in May. Although BPCC withdrew its initial offer after Harcourt unveiled a \$3bn recapitalisation plan, it has been embroiled in a number of US legal battles over the terms of this "poison pill" defence.

Kleinwort was chosen in part for its record in advising the defence of four different UK groups facing bids or approaches from one or another of Mr Maxwell's companies.

Kleinwort has never lost a battle directly to Mr Maxwell, even though several of its clients later succumbed to other suitors. The one which has survived, John Waddington, the games and packaging group, was saved from Ferguson Press in 1984.

The bank also helped Eitel, the information and printing group, to win shareholder approval for the acquisition of Dealers Digest against Mr Maxwell's opposition. His stake was subsequently sold to United Newspapers, the publishing group, which last month took over Eitel.

Kleinwort was also the initial adviser to Macdonald, the printing group which was wooed by BPCC before falling to Norton Opax. In the engineering sector, Mr Maxwell's Hollis intervened during Kleinwort's ultimately unsuccessful defence of AE against Turner & Newall.

BPCC said yesterday in New York that it had asked a Michigan court, which is hearing a case involving a Harcourt insurance subsidiary, to block the recapitalisation plan.

Nick Bunker examines what lies ahead for Hogg Robinson

Ensuring a future the demerger way

MONTHS OF debate over Hogg Robinson's future came to a temporary conclusion between Monday and Wednesday this week.

Since its interim results last December, Mr Albert Wheway, Hogg's chairman, had been dropping heavy hints that it might be more than sensible to split the group into an insurance broker on the one hand and a separate travel and financial services company on the other.

A new element entered the equation in late May, when talks started about a merger between Hogg's broking arm and Fenchurch Insurance Holdings, a subsidiary of Guinness Peat. On Sunday night—when Hogg asked for its shares to be suspended, after a £3 climb since January amid a flurry of bid rumours—that deal seemed about to be clinched.

When it fell apart in the next 72 hours, it was not because of resistance from Equiticorp, the New Zealand conglomerate that holds 28 per cent of Guinness Peat.

Nor did Guinness Peat's explanation—that it was unhappy with information supplied by Hogg—completely satisfy insurance brokers at Lloyd's of London who know both Hogg and Fenchurch well. They felt that strong personalities at Fenchurch may have clashed with brokers at Hogg over who should lead the combined broking entity.

Where does Hogg Robinson go from here?

First, it is freeing Mr Brian Perry to expand further on the ambitious programme of building Hogg's travel and estate agency network. He started it in 1963 soon after Mr Wheway, a merchant banker, and Mr Christopher Price took over as Hogg's new group management with the job of boosting its fortunes.

This they have done, with pre-tax profits nearly trebled from 1982's figure of £8.5m. Yesterday's results came in at £100,040 above Wood Mackenzie's forecast.

But Hogg's drive to build by acquisition a network of estate agencies now standing at 70



Mr Albert Wheway, chairman of Hogg

Hogg's £78m brokerage in 1986-87, but has acquired that prominence in the group's operations since 1985, when Hogg took 100 per cent control of RHR and put it under the charge of Mr Charles Keller, previously with Fred S. James, the big US insurance broker.

RHR—a retail broker servicing US corporations below the Fortune 1000 mark—has built itself up to 34 branches on the eastern seaboard and in Michigan but has much further to grow even after making acquisitions worth \$17m (£10.5m) in 1986, says Mr Andrew Alers-Hankey, Hogg's finance director.

That still leaves Hogg's insurance broking activities in the UK facing some quandaries which a link-up with Fenchurch might have resolved. Hogg, as a UK broker, has remained geared towards retail broking via its branch network.

That is a business where costs are high and margins of 15 per cent gross on brokerage are considered "credit-

able," according to analysts at stockbroker Hoare Govett.

Logically, Hogg should be seeking to expand in the higher margin business of wholesale broking in the Lloyd's-led London insurance market. Yet it is still far behind the leaders in that field. Merger with Fenchurch, which is strong in wholesale and reinsurance business, would have addressed this problem.

The logic of the situation now is that the new Hogg Robinson & Gardner Mountain will still be on the look-out for mergers like that discussed with Fenchurch. On the one hand, the splitting of Hogg Robinson into two separate companies will make that easier.

"We will be freeing the two companies to pursue their own destinies in their own different industries," Mr Alers-Hankey said.

On the other hand, it will also leave both parts of the old Hogg subject to bid rumours for a long time to come—even if TSB has designs on neither.

Profits advance by 18% to top £20m mark

Hogg Robinson, the insurance broking, travel, transport and financial services group, lifted pre-tax profits 18 per cent to £20.6m in the year ending March 31, writes Nick Bunker.

Earnings per ordinary share grew 8.5 per cent to 28.7p. The group is not recommending a final dividend because of its plans to demerge into

two separate public companies, Hogg Robinson, incorporating the travel, transport and financial services and property services activities, and Hogg Robinson & Gardner Mountain, an insurance broker.

Turnover was £149.8m, up from £121.7m in 1985-86, while investment income fell from £5.6m to £5.4m. Operating expenses rose from

£114.1m to £132.1m.

Profits after tax, minorities and dividends on preference shares were £12.3m (£9.8m). Mr Christopher Price, group deputy chairman, said there had been "substantial improvements" in pre-tax profits from UK and North American direct broking operations, which rose by more than 85 per cent.

But this was offset by a £2m reversal in Hogg's "political risks" operations and in Australia. There were also extra costs of £2m arising from the weakening of the US dollar against sterling and from the "continued burden" of premiums for errors and omissions insurance cover.

Mr Brian Perry, group

deputy chairman, said operating profits from travel, transport and financial services rose 23 per cent to £8.6m.

"While it is too soon for the estate agencies to have made a contribution, I am well pleased with the start they have made in the financial year now in progress," he added.

Avesco shares suspended
as deal is delayed

BY RICHARD TOMKINS

Shares in Avesco, the USM-quoted television services group, were suspended at 10p yesterday—unchanged on the day—after the company ran into delays over the completion of an acquisition.

Avesco had hoped to announce the purchase of Cameron Communications, a privately-owned distributor of professional video and communications products, for about \$5m. However, it was unable to sign the deal in time.

The announcement is now expected this morning, along with the £1m forecast at the

table preference stock issue to finance the deal.

Avesco yesterday produced its figures for the year to March 1987 showing a pre-tax profit of £1.83m (£1.02m) on turnover of \$5.37m (£3.62m).

The profit on continuing activities was £1.67m compared with the £1.5m forecast at the time of its introduction to the USM last December. However, provisions connected with the closure of its film and in-car audio businesses brought extraordinary losses of \$381,000 compared with the \$29,000 forecast.

IBL to sell PC
operations
for £2.5m

By Richard Tomkins

IBL, the computer leasing company which surprised the stock market with a severe 1986 profits shortfall at the beginning of the month, yesterday announced that it was disposing of its personal computer operations for £2.5m.

It is selling IBL Network Systems to Asystel UK, a subsidiary of Asystel of France. Mr Patrice Courbey, IBL's new managing director, said IBL did not want to develop the PC part of its business further because its returns were lower than on the core computer leasing and dsales activities.

Dr Randall relinquishes
boardroom posts at Avana

BY NIKKI TAIT

DR JOHN RANDALL, the highly-individual chairman and chief executive who turned Welsh food group Avana into a glamour stock during the late 70s/early 80s but saw it succumb to a £221m bid from Ranks Hovis McDougall last April, has finally resigned from the company.

Dr Randall stayed on after the takeover—which he strenuously contested—to facilitate the handover. But he always maintained that he would eventually leave: "I have never been a peripheral man," he once commented.

The Avana business is now under the control of Mr Tim

Howden, a main board director of RHM.

Unilever share split

A split of Unilever shares will take effect from Monday, June 29, when shares of 25p nominal value will be subdivided into five shares of 5p each.

New certificates are not to be issued for shares existing prior to June 28, but will be treated as representing five times the number of shares shown. Share certificates issued subsequently will be denominated in 5p shares.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

25th June, 1987

JVC

VICTOR COMPANY OF JAPAN, LIMITED

U.S. \$100,000,000

1 1/2 per cent. Bonds 1992

with

Warrants

to subscribe for shares of common stock of Victor Company of Japan, Limited

Issue Price 100 per cent.

Nomura International Limited
Bank of Tokyo Capital Markets Limited
Baring Brothers & Co., Limited
Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
Robert Fleming & Co. Limited
IBJ International Limited
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Morgan Grenfell & Co. Limited
National Securities of Japan (Europe) Ltd
J. Henry Schroder Wagg & Co. Limited

Yamaichi International (Europe) Limited
Banque Nationale de Paris
Crédit Lyonnais
Daiwa Europe Limited
DG BANK Deutsche Genossenschaftsbank
Goldman Sachs International Corp.
Kleinwort Benson Limited
Merrill Lynch Capital Markets
The National Commercial Bank (Saudi Arabia)
The Nikko Securities Co., (Europe) Ltd.
Sumitomo Finance International

Union Bank of Switzerland (Securities) Limited

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Crédit Lyonnais

Credit Suisse First Boston Limited

Daiwa Europe Limited

Deutsche Bank Capital Markets Limited

DG BANK Deutsche Genossenschaftsbank

Robert Fleming & Co. Limited

Goldman Sachs International Corp.

IBJ International Limited

Kleinwort Benson Limited

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Merrill Lynch Capital Markets

National Securities of Japan (Europe) Ltd

The Nikko Securities Co., (Europe) Ltd.

J. Henry Schroder Wagg & Co. Limited

Sumitomo Finance International

Union Bank of Switzerland (Securities) Limited

UK COMPANY NEWS

All-round growth
boosts THF 19%

By STEVEN BUTLER

PRE-TAX PROFITS at Trusthouse Forte, hotels and catering group, moved ahead by 19 per cent to £42.8m in the six months to the end of April, while turnover increased 28 per cent to £774.6m.

Earnings per share rose to 3.77p (3.14p), and an interim dividend of 1.54 (1.33p) per share was declared. The results were broadly in line with analysts' expectations and Trusthouse Forte shares closed down 4p at 253p.

"Generally there is a good picture across the company," said Mr Rocco Forte, chief executive.

The group's catering division showed the strongest growth, with turnover up 45 per cent to £44.9m and trading profits up 85 per cent to £14.4m. The acquisition of catering businesses from Hanson Trust accounted for £50m of the increased turnover.

Mr Forte said that operating profits of the Hanson acquisitions for the period doubled to £24m, although the subtraction of interest charges led to pre-tax losses of £3.3m. However, a profit of £5.0m was forecast for the full year.

Operating profits in the hotels division grew by 21 per cent to £44.7m, while sales increased from £272.6m to £308.5m.

Mr Forte said that May and June had shown a six to seven percentage point rise in hotel occupancy in London, reflecting a rise in tourist arrivals from the US, which had been cut due to the Libyan bombing scare last year. This was not expected to reach the levels of 1985, however, due to the weaker dollar.

Business from Japan and

Europe showed the strongest growth.

Trusthouse Forte is continuing the battle for control of Savoy Hotel, seeking in court to cancel 5.8 per cent of Savoy's shares which Trusthouse Forte alleges were improperly issued.

Mr Forte said this would give Trusthouse Forte effective control over Savoy, making the Trusthouse Forte holding of about 45 per cent equal to the directors' current holdings. He had no intention of making a general bid for Savoy should he win in court, as the shares were currently overpriced.

The share price translates to a value for the Savoy Hotel of £525,000 per room, far in excess of the record set 18 months ago when the Sultan of Brunei purchased the Dorchester for just under £300,000 per room.

"There are not many Sultans of Brunei about," said Mr Forte.

Trusthouse Forte's gearing currently at about 44 per cent is expected to decline to 36 per cent by the year end, reflecting seasonal fluctuations in business.

The company plans to continue expansion by organic growth and by acquisitions, and is currently examining individual hotels and groups of hotels in Europe for possible purchase.

See Lex

Walker & Staff

Walker & Staff, distributor of valve and pipework equipment, raised pre-tax profits from £313,791 to £363,320 in the year to March 31, 1987. Turnover was ahead at £5.89m, against £5.59m.

Earnings per 5p share were 12p (7.2p) and the dividend is increased from 2p to 2.25p.

DIVIDENDS ANNOUNCED

Argyll Group	6	—	5.1	9.1	7.75
Avesco	0.5t	—	0.4	0.5	0.4
Bett Bros. Int.	1.3	Aug 14	1.2	—	3.2
RFB	8	Aug 21	5.5	12.5	9
BTP	3.5	—	3	5.5	4.5
Burdens Law	1.5	Sept 1	1.25	—	4.75
Celestion Industries	1	Aug 14	1	1	1
CH Industrials	2.23	Sept 17	1.9	2.8	2.4
Crown TV	Nil	—	1.05	—	3.5
Greyhound	1.55	—	4.5	2.75	2.2
Hogg Robinson Sec Int.	6	—	5.23	11	9.6
Hughes Food	0.5**†	—	—	0.5	—
Mazurthy	4.5	Oct 6	3.5	—	13.5t†
Moorgate Mercantile	1.35	Oct 7	1.1	2	1.6
Parkdale	1.2†	—	1.23	2	1.6
Raeburn	—	Aug 10	5	—	13.5
Rothmans Int.	5.2	Oct 7	4.5	7.7	6.7
Seastronic Hldgs	1.4	—	1.18	2	1.65
Stainless Metalcraft Int.	2†	July 31	2	—	4.5
Stead & Simpson	2.7†	Aug 19	2.45	3.9	3.55
Sytone	6.4	—	6.4	10	10
Trusthouse Forte Int.	1.53	Oct 1	1.33	—	6
TSB Group	1.17	Oct 1	—	—	1.07
Walker & Staff	2.22	—	2	2.22	2
Wooltons Betterware†	2.5p	Aug 28	—	2.5	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by right and/or acquisition issues. ‡ US\$ stock. § Unquoted stock. ¶ Third Market. † On Ordinary and "A" Ordinary. ** For 18 months. †† Over the counter stock. ‡‡ For 17 months.

Portsmouth and Sunderland Newspapers, plc
Points from Sir Richard Storey's statement to shareholders

Profit Recovery

The profit before tax for the year ended March 1987 of £2,273m exceeded last year's by 74% but excludes the losses of Croydon Cable TV, which is no longer an associated company. If those losses are also excluded from 1986, the present profit is 52% more than last year's which, as I then reported, included substantial development costs for the Company's Croydon newspapers. I believe this year's improvement in profit is a firm step towards matching in real terms the results of earlier years this decade.

The earnings per share rose from 5.9p to 11.7p and continuing that improvement remains an important management target. The Company is seeking further to strengthen its relationship with its shareholders and those who represent them. The Board's opinion of present and expected business is reflected in the increase in the dividend from 4p to 4.4p per ordinary stock unit.

I am also pleased to report that The News Centre, Portsmouth, continued to build on its good contract printing foundations and secured three important printing contracts, for The Guardian, The Independent, and the Observer. A contract for the last was also recently won by Sunderland and will improve the results of that centre in the present year.

The Company has ordered a new colour press at a cost of £2.6m with which to obtain even more of the contract work it does with increasing success. Opportunities in this and related areas will continue to be sought.

This year further progress was made with production and productivity plans and, with the success of that policy established, it is now possible for the Company, as I suggested in 1986, to concentrate upon its market place, and this it is doing with as much fervour as it used in introducing modern machinery and working towards obtaining its optimum use.

Over some years the Board has manifested its confidence in the Company, and in the industry, by making substantial investment in the Company's newspapers, plant, and

machinery, so that all centres are now well capitalised. I am confident that the progress made this year towards a reasonable level of profit and return on investment will be maintained.

General

The Company's policy on serving its market places with a combination of evening and weekly (paid-for and free) newspapers has been further refined to improve the quality of services to readers and advertisers and to obtain a proper level of profitability.

With the Company close to its major targets in production and productivity, and with its vigorous marketing policies and goals being determinedly pursued, it is now reassessing its present business policies and considering new opportunities and ways for developing existing ones. News Shops had a successful year and its continued growth is expected.

Other Interests

Croydon Cable Television's development has been slower than expected. Further equity is being sought. The Company has limited its commitment to £750,000; its stake in the partnership has diminished as that of others has increased.

The Future

I look to the future with great confidence as another chapter in the Company's progress is opened and take this opportunity to reaffirm that it is the fundamental aim of the Company to operate a profitable business by serving local communities. It seeks to achieve this by providing a full, fair, and regular report of local and national events, including advertising, to inform, entertain, educate, and protect the public with newspapers of the highest standard and the best value. In fulfilling those objectives, it is the Company's policy to employ and retain able staff on good terms and conditions and to invest in, modernise, and obtain the optimum use from, the best possible buildings and equipment.

Healthy
41p
premium for
Colorvision

By Alice Rawsthorn

Colorvision, a television and video retailing group, watched its shares soar to a healthy premium yesterday when dealings began on the USM.

The shares began the day at 163p, a premium of 43p to the placing price of 120p. In the course of trading the shares rose to 165p but fell, on profit taking, to end the day at 161p.

Colorvision is now valued 34 per cent higher than its original placing price and its market capitalisation has risen from £16.1m to £21.5m. The group, which is based in Merseyside, operates a chain of specialist television and video shops throughout the north west of England. It was founded 23 years ago by Mr Neville Michaelson, the present chairman, with a £300 investment.

Colorvision has adopted the unusual structure of running its shops as independent subsidiaries, called "management enterprises."

Most of the managers now hold shares in the company. Colorvision is the latest in a stream of companies to have staged successful new issues and to emerge from the first day of stock market dealings with shares trading at hefty premiums.

Hawthorn Leslie's
£3.9m acquisition

Hawthorn Leslie Group, the company formed in February by the reverse takeover of Hawthorn Leslie by Adam Leisure, yesterday took the first step on the road to becoming an industrial holding by acquiring SK Fey, a printing and packaging business, for £3.55m in shares.

At the time of the reverse takeover Mr Remy Dipre, chairman, announced his intention to build the group into a broadly based holding company. Until this acquisition it had been composed of the original Hawthorn Leslie electrical distribution interests and Adam's electronic games and video software business.

Fey, which is based in Surrey, is involved with printing and packaging for the pharmaceutical industry and trades under the name Eagle Press. In its last financial year, to June 30 1986, it produced pre-tax profits of £422,296.

Hawthorn Leslie has financed the acquisition by issuing 11.98m shares, 11.09m of which have been placed for the vendors at 32p a share. Hawthorn Leslie's shares were unchanged at 40p yesterday.

Argyll in £208m
rights: shares fall

By DAVID WALLER

CONSERVATIVE accounting and the announcement of a £208m rights issue yesterday prompted a sharp fall in the share price of Argyll Group, the Safeway and Presto supermarkets group.

At the same time, Argyll announced pre-tax profits of £30.6m for the year to March 29, an increase of a quarter against the previous year and in line with brokers' expectations. The shares fell 45p over the day to close at 439p, 14p above the 423p rights price.

The issue of 50.6m new shares follows only five months behind a £820m placing to finance the acquisition of Safeway. But analysts blamed the fall in the share price on reaction to the fact that Argyll has decided to account for the conversion of its Presto stores into Safeway outlets, rather than on a glut of new shares.

Argyll said yesterday that it intended to charge the estimated £90m costs of the reorganisation programme in such a way that it reduces current year pre-tax profits.

Some £40m to £50m of this would be charged as an exceptional item in this year's profit and loss account, and the balance spread over the following three or four years and treated in the same way.

Normal practice within the industry has been to treat such costs as extraordinary items, in which case they have no impact on the company's earnings.

Mr Alistair Grant, Argyll chief executive, said that the proceeds of the one for eight rights issue would be used to finance the aggressive expansion of the Safeway group. To this end, the company plans to open 22 new stores this year.

"We wouldn't be doing our shareholders a long-term service if we were to penny pinch," said Mr Grant, "we need the money to enable us to compete more effectively."

The rights issue would also have the effect of strengthening the company's balance sheet, eliminating all borrowings to produce a net cash balance of £92.4m at the year end. Previously, gearing stood at 69 per cent.

Total capital expenditure during the year was £65m, against a projected spend of £160m in the present year. The interest charge rose from £2.4m to £5.6m. Argyll said that £3.2m was due to the cost of last year's abortive takeover bid for Distillers.

Safeway contributed £4.4m to pre-tax profits over a four week period. The food division as a whole showed a 27 per cent growth in operating profits to £67.4m, on a 7 per cent increase in turnover to £1.73bn.

Earnings per share were 13 pence higher at 23.6p. Excluding the Safeway acquisition, earnings would have risen 18 pence to 24.5p.

A final dividend of 6p is recommended, making 9.1p, a 17 per cent increase over the previous year.

See Lex

Stanley Holdings

Mr Malcolm Stanley, chairman of home-decorating materials retailer A. G. Stanley Holdings, has sold 250,000 shares in the company and now holds a 4.9 per cent stake amounting to 1.25m shares.

Non-executive director Mr G. A. Stanley has sold 1.5m shares and now holds 212,989 shares (0.83 per cent).

Brunner Investment

Brunner Investment Trust said yesterday that the results it published on Monday for the six months ended May 31 carried an incorrect figure for the interim dividend. This should have read 1.25p not 1.10p.

Trusthouse Forte PLC
HALF YEAR RESULTS

	Half year to 30th April 1987 £m	Half Year to 30th April 1986 £m	% Change	Year to 31st October 1986 £m
Sales	774.6	604.6	28	1,476.5
Trading Profit	57.7	44.7	29	158.3
Interest	(21.0)	(13.5)	(34.5)	(34.5)
Trading Profit after interest*	36.7	31.2	18	123.8
Share of profits of subsidiary company not consolidated	4.9	4.1	7.6	—
Property disposals	1.2	0.8	4.6	—
Profit before Taxation	42.8	36.1	19	136.0

The above figures are unaudited and accounting policies are materially as stated in the last annual accounts.

* Due to the seasonal nature of the businesses acquired in 1986 from Hanson Trust the above figures include a loss of £3.3 m in trading profit after interest for these businesses; the full year result is forecast to produce a profit of approximately £5.0 m after charging interest of £19.0 m.

The greater part of the year's profit is always produced in the second half of the financial year. Current trading is very satisfactory and we look forward to a good increase in earnings for the full year.

The interim dividend has been increased by 15% to 1.53p per share (1986-1 33p per share)



For reservations at any of our hotels worldwide ring our booking office on 01-567 3444, contact your travel agent or ring the hotel direct.

Trusthouse Forte

TSB Group plc
Half Year Profits up

The change in the Group's year end to 31 October has led to a shorter first half. Results therefore cover 23 weeks, but percentage increases are based on 26 week equivalents.

• £131.8 million profit before tax for the 23 weeks to 30 April 1987.

• 24% increase in profit from business operations to £108.6 million.

• 17% increase in profit from banking operations.

• 42% increase in non-banking profits.

• 10% dividend increase to 1.17p net per share.

• Target Group and Boston Financial Company acquired and a major technology project announced.

• Underlying growth in profit from business operations expected to be maintained for the remainder of the year.

TSB GROUP
HALF YEAR RESULTS
(UNAUDITED)

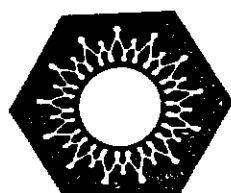
£m	23 weeks to 30 Apr 1987	26 week equivalent	26 weeks to 21 May 1986	Year to 20 Nov 1986
Profit from business operations	108.6	118.7	96.0	197.2
Income on capital held for investment	23.2	26.2	—	8.4
Group operating profit before taxation	131.8	144.9	96.0	205.6
Group profit attributable to shareholders	84.2	92.6	60.0	131.8
Dividend	16.0	—	—	14.5
Retained profit	68.2	—	60.0	117.3
Proforma earnings per share	—	7.7p	—	14.0p
Proforma dividend per share	2.34p	—	—	4.26p



25 Milk Street, London EC2V 8LU

This announcement appears as a matter of record only

June 1987



Associated Book Publishers PLC

Disposal of a 35.9% interest
held by
RoyWest Trust Corporation (Bahamas) Limited
to

International Thomson Organisation Limited

COUNTY NATWEST

acted as adviser to
RoyWest Trust Corporation (Bahamas) Limited
△The NatWest Investment Bank Group Limited

East Rand Gold and Uranium Company Limited

(Incorporated in the Republic of South Africa)
Registration No. 71/07001/06

Ergo increases dividends by 17.6 per cent to 100 cents per share

Extracts from the review by the Chairman Mr E P Gush

Financial results

The company increased profit after tax by 21 per cent to a record R114.5 million and, after heavy appropriations for capital expenditure, the amount available to shareholders increased by R5.9 million to R43.2 million. Dividends of R42.1 million were declared—equivalent to 100 cents per share compared with 85 cents per share last year.

Turnover for the year reached a new high of R288.0 million. This is attributed to a 14.1 per cent increase in the average gold price received on sales of R27.468 per kilogram, a 5 per cent rise in gold production to 8 708 kilograms and higher sales of uranium oxide and sulphuric acid. Although cost of sales increased by R32.2 million to R171.3 million, profit before tax improved by 18.5 per cent to R118.3 million.

Operations at both the Ergo and Simmergo plants were generally satisfactory throughout the year and tonnage of material treated at both plants reached record levels. Furthermore, in spite of lower overall head grades, improved metallurgical controls led to higher gold recoveries at both plants. Production costs were well contained with unit costs increasing at rates well below the current inflation rate.

Markets and economic factors

While forecasts continue to show an excess of physical gold supply over demand developing towards the late 1980s, stronger dollar prices for gold are expected to be maintained in 1987, against the background of further weakening of the dollar, and of increasing investor uncertainty in other markets. This has been seen most recently in the rally in all precious-metals markets in April 1987.

The improvement in the uranium market has been overshadowed by US uranium producers securing a court order forbidding the consumption of non-US uranium by American utilities from the beginning of 1987. This order is under appeal, but such an embargo could seriously affect the world uranium market, leading to an over supply of uranium in markets outside the USA. Of more direct concern is the Congressional ban imposed in September 1986 on the importation of South African uranium for consumption in the USA.

While the fertilizer industry remained depressed, Ergo maintained its sulphuric acid sales in this sector. Some rationalisation of local production facilities has brought slight relief to the fertilizer industry but overcapacity continues to be a major problem. Demand for the company's acid to replace acid produced from imported sulphur remains firm.

South African gold producers have benefited from the increase in the rand price of gold which resulted, in part, from the economic and political situation in this country. This same situation has been largely responsible, however, for causing the inflation rate to rise to levels never before experienced. As measured by the Production Price Index, cost escalation increased by 18.1 per cent in the year to the end of March 1987. The gold mining industry's cost base has increased

significantly over recent years and if this trend continues great strain will be put on margins unless the gold price continues to rise.

Over the past few years the government has attempted to manage the economy with short-term expedients which assisted in buoying the economy but to the detriment of long-term stability and growth and at the expense of the already serious inflation problem. What is abundantly clear is that the economy will continue to suffer until major political reform is initiated. Although the State of Emergency has succeeded in abating much of the violence and unrest experienced last year, the underlying causes will remain until apartheid is abolished and equal opportunity exists for all races. More importantly, a new constitution must be negotiated which entrenches human rights and, in particular, the right of all to participate fully in the political process.

Industrial relations

Training at all levels is an ongoing process with the objective of fulfilling the company's manpower requirements from within the organisation. Emphasis this year was placed on trainee operations supervisors, apprentices and mechanics. The staffing of the Daggafontein Division was largely completed by drawing on trained Ergo employees through internal promotions and transfers. This contributed significantly to the trouble-free commissioning of the new plant. A subsidised home-ownership scheme has been in operation at Ergo for some years and many employees have taken advantage of it. The rules of the scheme are presently being amended so that a wider range of our employees—and particularly those in the lower-paid categories—can benefit from it. We hope this will lead to an increasing number of our employees living in their own homes in the nearby townships.

The year ahead

Plant throughput rates in the Ergo and Simmergo divisions are expected to continue at approximately the same levels as last year. Gold production in the Ergo Division is expected to be similar to that of last year, whereas production at Simmergo is expected to decline slightly as a result of lower head grades. The Daggafontein Division, however, is expected to contribute approximately 2 000 kilograms to overall production. Capital expenditure is expected to decrease by about R35 million to R50 million—R17.7 million of which is to be allocated for the completion of the Daggafontein plant.

ergo

London Office: 40 Holborn Viaduct EC1P 1AJ.

UK COMPANY NEWS

Rothmans well ahead of expectations with £195m

Rothmans International yesterday pleased the City with results some £30m ahead of market expectations. After two difficult years, the group more than doubled pre-tax profits from £93.9m to £195.5m in the 12 months ended March 31 1987.

Turnover, excluding sales taxes and duties, rose slightly from £1.47bn to £1.48bn. Earnings per 12½p share were 32.4p (10.7p) basic or 28.6p (10p) fully diluted and the final dividend is 5.2p for a total up from 6.7p to 7.7p.

Most of the improvement came from the tobacco operations, where profits surged from £124m to £205.9m, as the benefit of prior years' rationalisation measures flowed through. In other areas, overall performance continued to benefit from good results in luxury consumer products—profits up £19.2m to £68.8m—and in overseas associates.

Operating profits in 1986-87 jumped to £203.5m (£115.9m) including £71.8m (£66) from associates—these generally produced higher profits in their own reporting currencies than those results suffered on translation into sterling due to exchange rate movements.

The operating result was after providing £15m for further exceptional costs of

trimming capacity, against £47.7m last time. During the year, certain group interests were sold—principally Carling O'Keefe and its subsidiaries, Rowntree-Werke, and the non-tobacco interests in New Zealand. Extraordinary items this time of £12.7m comprised net gains on the disposals.

Tax at £55.2m (£48.7m) showed a decrease in the effective rate to 43.8 per cent. After minorities and the extraordinary item, attributable earnings were £99.1m (£28.1m).

The consolidated balance sheet shows a transformation of the group's cash position—from net borrowings of £82.3m to net liquid funds of £328.3m. This was mainly achieved by generating £212m from operations and £159m from restructuring and disposals.

Sir Robert Crichton-Brown, the chairman, said "the group is now much better equipped to move forward—both in our present businesses and also where we find the right opportunities for sound investment to extend the spread of group interests."

● comment

Having spent £130m in above the line rationalisation costs fall

over the past four years, Rothmans has finally shown its growth paces. Even more impressive has been the cash generation: a long overdue squeeze of working capital produced £100m; disposals £160m; and operations £110m. Rothmans was very lucky when it sold Rowntree and Carling O'Keefe—the first was a looming disaster while the latter was wayward enough to be well able to shoot the whole group in the foot. By the end of this year, the net bank balance could be £500m—about half the present market capitalisation. Over in the US, Philip Morris, with a quarter of the voting stock, must be wondering just what to do with its London associate—and will no doubt want to discuss this with Rembrandt, the holder of 43 per cent of the voting cards. The issue is simple enough: Rothmans is now an efficient cash cow, so who should decide what to do with the surplus? Rothmans could be left to itself but next time there may not be a John Elliott around willing to pay top dollar at a fire-sale. The shares have troubled in the past year but on a prospective p/e of 10 there is still plenty of upside potential for despite the 36p rise to £24p any bid below £5 should fail.

All-round increase in demand lifts BPB

BPB Industries, the Slough-based building materials, paper and packaging group, boosted pre-tax profits by 40 per cent in the year to March 31 1987 thanks to greater demand in all its main areas of activity—particularly overseas.

Profits rose from £103.2m to £144.7m on turnover up substantially from £616m to £750.5m. The board proposes paying a final dividend of 8p (5.5p), making a total of 12.5p (9p) for the year. Earnings per share increased from 33.9p to 46.2p and a one-for-one scrip issue is recommended.

The directors said that prospects for the current year and beyond remained good both for UK and overseas companies.

Analysis of operating profits and turnover by divisions and geographically shows building materials making £118.1m (£81.9m) on sales of £218.1m (£150.7m). Contributions were: UK £62.8m (£52.4m) on £94.2m (£80.3m); Canada, £17.5m (£14.2m) on £78.3m (£69m); France and Italy, £27.4m (£12.6m) on £166.6m (£119.6m); and Republic of Ireland, £4.1m (£2.7m) on £24m (£21.8m).

The paper and packaging division made profits of £23.6m (£13.8m) on turnover of £201.4m (£142.6m). The UK sector contributed £18.7m (£12m) on £147.3m (£108.5m) while overseas operations chipped in with £4.9m (£1.8m) on £54.1m (£34.1m).

The acquisition of the paperboard mill and solid board case-making operations at Purfleet had benefited the paper and packaging division and capital investment in fixed assets during the year totalled £48.3m. Acquisitions totalled £36m and since the year-end BPB had bought the Rigips plasterboard and gypsum interests for £69.4m to provide an excellent strategic opportunity to develop the group's European activities.

Tax took £56.1m (£38.4m) and attributable profits amounted to £88.3m (£63.2m).

● comment

For the second year running BPB has produced a dramatic increase in pre-tax profits—though not quite dramatic enough for a market which had over-egged the price in the run-up to the figures. The main factors driving the profits advance remain the buoyancy of the UK building industry combined with plasterboard's increasing popularity as a construction material: with its virtual monopoly of the UK plasterboard market intact, BPB enjoyed an 8 per cent increase in volume. The current year will benefit from April's 3½ per cent price increase and further strengthening in demand. The buoyancy of the construction industry in Western Europe continues to bode well for the Continental operations and the Intergrips acquisition, an attractive move for the medium to long term, will be making an eight-month contribution.

Analysts are forecasting around £180m for a p/e of 14½ at yesterday's 810p, putting the shares at a well-deserved but probably sufficient premium to the sector.

Westwood re-listing delayed

By Steven Butler

A DELAYED courier delivery across the Atlantic caused 25 minutes of confusion on the Stock Exchange yesterday.

An announcement of the re-listing of Westwood Dawes' shares was followed swiftly by a correction that renewed trading in the company's shares would have to wait a little longer.

For followers of the mechanical handling engineer, false starts appear to have become a regular feature of business. Several shareholders' meetings were postponed earlier this month while shareholders worked out their differences over a major acquisition and share issue.

The acquisition of Hugh J. O'Neill, the Canadian engineering parts supplier, was to have been completed on Wednesday. Yet the all-important share certificates failed to make the finish line, and the banks decided they could wait another day.

Someone evidently forgot to tell the stock exchange. If all goes well, the shares are scheduled for reintroduction today, but they will only trade under the Westwood Dawes name for a brief period.

After July 17, following the closing of a rights issue in connection with the acquisition, Westwood Dawes will change its name to Mining Allied and Supplies, the parent company of Hugh J. O'Neill.

Westwood Dawes did not want to confuse shareholders by changing its name prior to the closing of the offer. They have evidently decided enough to be confused about already.

Crown TV loss

Crown Television Productions has reported a pre-tax loss of £227,000 (£142,000 profit) for the six months ended March 31 1987 and is omitting the payment of an interim dividend (1.05p).

The directors also warn that while they were confident of an early return to profitability they could not be certain of recouping the first half losses during the remainder of the year. It seemed unlikely therefore that any dividend would be paid for the year ending September 1987.

Turnover for the period was £1.53m (£1.73m) and the operating loss was £29,000 (£240,000 profit). There was no tax (£40,000) leaving a loss per share of 2.4p (1.1p earnings).

Moorgate Mercantile

Moorgate Mercantile Holdings, instalment credit finance and leasing group, boosted 1986-87 profits by 74 per cent from £1.04m to £1.8m and predicted sustained progress for this financial year.

Turnover for the year to March 31 rose by 38 per cent from £28.82m to £39.6m. Operating profit was £4.54m (£2.63m) and interest payments were higher at £2.72m (£2.59m). After tax of £835,000 (£420,000), attributable profits were £1.12m (£618,000) and earnings per share worked out at 2.61p to 4.54p. A recommended final dividend of 1.35p (1.1p) makes 2p for the year, compared with 1.6p last time.

Chelsea Man

Chelsea Man, the men's clothing retailer, raised its profits from £959,000 to £1.61m at the pre-tax level on a turnover up from £3.55m to £4.8m for the year to March 31 1987.

Burdene rises 68% to £1.25m and optimistic

Burdene Investments, caravan and clothing manufacturer and property developer, produced a 68 per cent improvement in interim pre-tax profits to £1.25m and predicted higher profits for the second half.

Turnover for the six months to March 28 rose from £3.48m to £10.81m. After tax of £412,760,

earnings per share improved from 7.25p to £1.25p and the interim dividend lifted from 1.25p to 1.5p.

Sales in caravan manufacturing and park operation rose by 26 per cent, with pre-tax profits at £595,000 (£443,000). Hosiery sales lifted by 27 per cent, with profits at £382,000 (£280,000).

Bett Brothers lifts profits to £0.43m halfway

ALTHOUGH first half trading conditions in the building sector were similar to the previous year, the favourable results from Bett Brothers' other diversified interests enabled overall profits for the six months to end-February 1987 to rise from £411,529 to £431,491.

Turnover for the group, which is also involved in property investment, licensed premises management and com-

mercial vehicle distribution, improved by 14 per cent to £3.11m (£7.1m). The directors envisaged that turnover and profits for the full year would be similar to the £15.41m and £848,906 respectively last time. They are paying a 1.2p (1.2p) interim dividend from earnings ahead from 1.50p to 1.87p per 20p share.

The company has increased its investment in property development, directors said.

Reed sells Hollins mill

By NIKKI TAIT

Reed International, the publishing, packaging and paper conglomerate which last week finalised the sale of its paint and DIY division to Williams Holdings, yesterday announced its Lancashire-based Hollins paper mill to David S. Smith, the fast-growing packaging and paper group headed by Mr Richard Brewster.

Reed stressed yesterday that this is not a forerunner for other divestments. Although no purchase price is disclosed, the deal is thought to be very small.

Hollins, which produces base paper for the wallcoverings industry, will become part of David Smith's St Regis subsidiary.

In the year to end-March 1987, the company had sales of around £10m—about 8 per cent of Reed Paper and Board's turnover.

This announcement appears as a matter of record only

PORTSMOUTH OPERATING COMPANY

Development of Leisure Facilities

£5,000,000 Index-Linked Bond 2012
and
£3,500,000 Equipment Lease Finance

Index-Linked Bond investor:

Co-operative Insurance Society

Equipment Lease Finance:

IBOS Finance Limited

This arrangement was structured by the undersigned who also acted as overall coordinators and advisors.

Hambro Linsandro Limited



HAMBROS


June 1987

RESULTS ORIENTED PERFORMANCE.

Lawson Mardon Group Limited
Lawson Mardon Limited

CAN. \$75,000,000
STG. £85,000,000
Revolving Term Credit Facilities
Tender Panel Arrangement


Arranged the transaction
Provided Can. \$16,000,000
and Stg. £41,000,000

 **Scotiabank**

L S Acquisition Corporation
has acquired
Lear Siegler, Inc.

\$1,400,000,000


Co-managed the transaction
Provided \$200,000,000

 **Scotiabank**

Holiday Inns, Inc.

\$1,225,000,000
Restructuring


Co-managed the transaction
Provided \$177,000,000

 **Scotiabank**

Banner Industries, Inc.
has acquired
Rexnord Inc.

\$550,000,000


Co-agent for the transaction
Provided \$150,000,000

 **Scotiabank**

Union Carbide Corporation

\$2,000,000,000
Recapitalization


Provided \$75,000,000

 **Scotiabank**

The Warnaco Group Inc.
Warnaco Inc.

\$224,000,000
Financing Agreement


Provided \$40,000,000

 **Scotiabank**

B & D Cogen Funding Corporation
has acquired cogeneration facilities from a subsidiary of
Occidental Petroleum Corporation

\$460,000,000
Limited Recourse Project Financing
\$460,000,000
Amortizing Interest Rate Swap


Co-agent for the transactions
Provided \$50,000,000 of the financing
and \$230,000,000 of the swap

 **Scotiabank**

Wolverine Acquisition Corp.
Wolverine Tube (Canada) Inc.

\$40,000,000
Acquisition and Operating Facilities


Provided \$40,000,000

 **Scotiabank**

Owens-Illinois Holdings Company
Health Care and Retirement Corporation of America
has acquired
Owens-Illinois Inc.

\$3,600,000,000

Co-managed the transaction
Provided \$199,980,000

 **Scotiabank**

**PROVEN LEADERSHIP
M&A, LBO, AND RECAPITALIZATION.**



Scotiabank

BASF Aktiengesellschaft
Notification of Dividend

BASF'87

The Annual General meeting held on 25th June 1987 confirmed a dividend in respect of the year ended 31st December 1986 of DM 10 per share of nominal value DM 50.

The dividend will be paid on or after 26th June 1987 net of 25% withholding tax against submission of dividend coupon No.5 as appropriate at one of the paying agents listed in issue No. 114, dated 26th June 1987, of the German Federal Gazette, the "Bundesanzeiger". In accordance with the Double Taxation

Agreement of 26th November 1964, as amended on 23rd March 1970, between the United Kingdom and the Federal Republic of Germany, withholding tax in respect of shareholders resident in the United Kingdom is reduced from 25% to 15%. To claim this reduction, shareholders must submit an application for reimbursement before 31st December 1991, to the Bundesamt für Finanzen, Koblenzer Straße 63-65, D-5300 Bonn-Bad Godesberg.

In the United Kingdom the dividend payment, which is free of charge, will be made in Pounds Sterling with conversion from Deutschmarks at the rate prevailing on the day of submission of the dividend coupon and will take place through the London offices of the following Companies:

S. G. Warburg & Co. Ltd.,
33 King William Street,
London EC4R 9AS.
Morgan Grenfell & Co. Limited,
23 Great Winchester Street,
London EC2P 2AX.

The Board of Executive
Directors
BASF Aktiengesellschaft

D-6700 Ludwigshafen/Rhine,
June 26th, 1987

BASF

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and does not constitute an invitation to anyone to subscribe or purchase shares. Application is being made to the Council of The Stock Exchange for the undermentioned issues of Preference Shares to be admitted to the Official List. It is expected that dealings will commence on 29 June 1987.

Croda International Plc
(Incorporated in England Registered No 206132)

Issue of
499,174 6.6% Cumulative Preference Shares of £1 each
and 615,562 5.9% Cumulative Preference Shares of £1 each

Authorised	Issued and now being issued fully paid
£'000	£'000
14,613	11,583
1,250	1,057
22	22
489	489
616	616
17,000	13,777

The above Preference Shares have been issued as a result of proposals effected by two schemes of arrangement pursuant to Section 425 of the Companies Act 1985 whereby the existing holders of preference shares in Croda Chemicals International Limited ("CCI") and Croda World Traders Limited ("CWT"), both subsidiaries of Croda International Plc ("Croda") have received, in exchange for each preference share held by them, one new Preference Share in Croda which will rank *pari passu* in all respects with the existing Preference Shares in the capital of Croda and with each other, except that the rate of preference dividend will be 6.6% (together with the associated tax credit in respect of the Preference Shares issued to the holders of the CCI preference shares and 5.9% (together with the associated tax credit in respect of the Preference Shares issued to the holders of the CWT preference shares).

Listing Particulars relating to Croda and the new Preference Shares are contained in new issue cards circulated by Eitel Financial Limited and copies of such particulars may be obtained during usual business hours (Saturday and public holidays excepted), up to and including 10 July 1987 from:

L. Messel & Co. Croda International Plc
1 Broadgate Cowick Hall
London EC2M 7HA Snaith Goole
North Humberside DN14 9AA

and until 30 June 1987 from The Company Announcements Office The Stock Exchange London EC2P 2BT
Dated 26 June 1987

BPB
INDUSTRIES

Gypsum-based products and other building materials
Paperboard and packaging
Wireline services

40% Profit increase
One-for-one capitalisation issue

Year to 31st March	1987	1986
Turnover	£750.5	£616.0
Profit before tax	144.7	103.2
Attributable profit	88.3	63.2
Earnings per share	46.2 p	33.9 p
Dividends per share	12.5	9.0

Copies of the Annual Report and Accounts may be obtained from the Secretary, BPB Industries plc, Langley Park House, Uxbridge Road, Slough SL3 6DU (Tel. Slough (0753) 73273) from 1st July 1987.



UK COMPANY NEWS

Greycoat's £9m tops City hopes

By PAUL CHEESRIGHT, PROPERTY CORRESPONDENT

Greycoat, the property group, yesterday announced increased earnings and a higher net asset value per share that went beyond the optimistic assumptions of the City.

The immediate reaction was for the share price to firm 12p to 42p in a generally strong property sector, still buoyed by the price paid by Obayashi, the Japanese group, for Bracken House, headquarters of the Financial Times.

Pre-tax profits for the year to last March were £9.1m, double the £4.57m earned in 1985-86. Earnings per share rose to

11.4p from 9.1p. The higher earnings enabled Greycoat to lift its final dividend to 1.55p to make a total payment for the year of 2.75p compared with 2.1p the year before.

Greycoat has been pursuing a policy of building up its asset value and this came through in the annual figures with the disclosure that the net asset value per share has reached 301p from 248p a year before.

The figure excludes revaluation surpluses from all properties in the course of development.

The pursuit, however, cost

Greycoat an extraordinary debit of £2.17m because of its unsuccessful attempt to take over Property Holding and Investment Trust.

But as Greycoat has a development programme of £450m, of which £350m-worth has been either paid for or financed, the net asset value per share is likely to increase steadily.

The great strength of the portfolio under current market conditions is its exposure to the City of London market. The size of the investment portfolio is now £179m in

properties owned directly with a further £88m coming from properties owned by associates.

Over the last year more properties have been fully let and this would have been one factor in lifting the 1986-87 turnover to £102m from £91m the year before.

Mr Godfrey Wilson, the chairman, said shareholders that they could look forward to substantial surpluses being generated over the next two or three years as developments in hand are completed and revalued when they are substantially let.

Rationalisation strategy helps
Macarthy lift its profits by 53%

By PHILIP COGGAN

THE BENEFITS of rationalisation helped Macarthy, the pharmaceutical wholesaler and retailer, to boost its interim pre-tax profits by 53 per cent in the six months to March 31 on sales only 6.4 per cent higher.

Macarthy has changed its financial year-end but figures for the six months to April 30, 1986 are shown for comparison. Early last year, new management was installed at the group under Mr Nicholas Ward, an ex-Guinness executive, after the intervention of a group of institutions.

As part of Mr Ward's rationalisation, six separate business units have been combined in a new group, Macarthy Medical, which enabled five depots to be

closed, with their business transferred to other sites.

The Glasgow depot has been refitted and is now supplying the whole of Scotland and further refurbishments are planned at Romford, Redditch and Wembley.

Farillon, the specialist pharmaceutical distributor, and Willington, the veterinary supply company, each performed satisfactorily, although the latter was operating in a difficult market.

The company has recently moved into the health-food market via the £1.7m acquisition of Nature's Store, which is a wholesaler, and the purchase for just £1 of Lifecycle, a retailer, which Macarthy expects to make a contribution next year.

Profits in the manufacturing and distribution division were £3.05m (£2.55m) on sales of £131.2m (£124m) and in retailing profits were £582,000 (£195,000) on sales of £16.1m (£14m). After deducting group management costs of £537,000 (£355,000) and interest payable of £670,000 (£575,000) pre-tax profits were £2.62m (£1.71m).

The tax charge was £944,000 (£663,000) and earnings per share were 62 per cent higher at 12.6p (7.8p). The interim dividend is being set at 4.5p (3.5p).

Analysts were yesterday forecasting full year pre-tax profits of £5.6m putting the shares at 455p on a prospective p/e ratio of 18.

Local London £10m purchase

By DAVID WALLER

Local London Group, the property company which has grown rapidly since it joined the USM last September, yesterday announced the £10.5m acquisition of the Selmonds Group of private companies.

Selmonds operates two business centres in south-west London, value at £2m, and owns 10 commercial properties and 18 residential properties worth

a further £4.5m. Its net assets are £5m.

It made pre-tax profits of £190,000 in the year to April 1986.

Mr Andrew Burton, Local London chief executive, said that profits for 1986-87 were expected to be substantially more than that.

He was confident that the acquisition would result in an

increase in both net assets and earnings per share.

The purchase is to be financed by the placing of 1.4m Local London shares at 735p, approximately 10 per cent of the company's enlarged equity. There will be a claw-back facility for existing shareholders.

Local London shares closed yesterday 10p down at 790p.

All-round growth pushes
Syltöne profits up 51%

THE 51 per cent rise in pre-tax profits at Syltöne for the year ended March 1987 reflected a continuation of the improving trend in half-yearly results, Mr J. A. Clegg, chairman, said yesterday.

With turnover up by 13 per cent to £22.93m (£20.22m), the pre-tax result rose from £802,000 to £1.21m. The directors are recommending an unchanged final dividend of 6.4p for a maintained total of 10p.

Mr Clegg said the principal businesses of Syltöne, which include the engineering and manufacture of pumps, compressors, power take-off and other equipment for commercial

vehicles, continued to contribute handsomely to group profits.

Overseas the relative weakness of sterling against European currencies had more than counterbalanced the difficulty of exporting competitively to the US during a period when the dollar was weakening.

The group's profitability had enabled it to maintain high levels of research and development expenditure which the directors regarded as essential, the chairman added. Syltöne (£202,000) and minorities of £3,000 (£5,000) earnings per share recovered to 21.34p (14.47p).

Bremner details
Carswell offer

By Philip Coggan

Bremner, the property and department store group, yesterday announced details of its proposed acquisition of Carswell, the Glasgow stockbroking firm.

The initial consideration will be £1.35m to be satisfied by the issue of 1.8m Bremner shares and is based on Carswell's pre-tax profits of £280,000 for the year to April 24 1987.

Further consideration will be based on future profit levels. The deal must be approved by Bremner shareholders at a meeting scheduled for July 23 where a dissenting group will attempt to unseat the Bremner board.

Bremner's share price has risen from 75p to 110p since the deal was announced.

Yesterday, Mr Andrew Grey-stoke, chairman of City and Westminster Financial, which is the main shareholder opposed to the Bremner board, announced that he was joining the board of Lanca, the handbag wholesaling company, in which CWF and friendly parties own a 28.9 per cent stake.

Raeburn ahead 49%

Raeburn Investment Trust produced a net asset value per ordinary share of 617.8p at the end of the six months to May 31 compared with 500.9p last time.

Revenue after tax rose by 49 per cent from £1.33m to £1.97m. The interim dividend rose from 5p to 7p and directors forecast a final dividend of not less than 9.5p, making a total for the year of 16.5p, against 13.5p last time.

Earnings per share rose from 4.82p to 7.22p.

BOARD MEETINGS

The following companies have notified dates of board meeting to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's dividends.

Interim	Final	Future Dates
Interim - Bernards International Bond Fund, First National Finance, First National Securities, Greenwich Cable Communications, Winter Holidays.	Final - William Cook, Electric and General Investments, Harold Ingram, Merston Thompson and Everhead.	
Interim - ASEA	Final - ASEA	July 22
Interim - Crescent Japan Investment Trust	Final - Crescent Japan Investment Trust	Aug 19
Interim - New Tokyo Investment Trust	Final - New Tokyo Investment Trust	July 14
Interim - Sandvik	Final - Sandvik	July 14
Interim - Union Discount	Final - Union Discount	Aug 24
Interim - Widyne	Final - Widyne	July 15
Interim - Associated British Engineering	Final - Associated British Engineering	July 3
Interim - Elibel	Final - Elibel	July 23
Interim - Mercury Asset Management	Final - Mercury Asset Management	June 30
Interim - Mercury International	Final - Mercury International	June 30
Interim - North Housing Association	Final - North Housing Association	June 30
Interim - North of Scotland Investment	Final - North of Scotland Investment	July 3

Wooltons Betterware

Wooltons Betterware, the Midlands-based soft furnishings retailer and manufacturer, which came to the USM last October, beat its firm profit forecast by £203,000 for the year ended February 28 1987.

Turnover last year was £19.97m (£14.37m); tax took £432,000 (£288,000) leaving net profits of £770,000 (£432,000) for earnings of 8.63p (5.22p) per share. The final dividend is 2.5p for forecast.

Mr Andrew Cohen, managing director, expressed confidence that existing organic growth would continue. He said current trading trends for all the group's activities were encouraging, with sales in the first quarter well ahead.

H. Young buys

H. Young Holdings, the financial services and distribution group, is to buy Toolrange, the tool distributor, for £1.85m.

The consideration is being satisfied by the issue of 1.36m shares which existing equity holders will be able to subscribe for at 147p on a ratio of two for every nine held.

Company Notice

ENERGY INTERNATIONAL N.V. (Incorporated in the Netherlands)

Shareholders in the Fund are convened to attend the Annual General Meeting of the Fund to be held on Monday 27th June 1987 at 10.00 hours at the registered office of the Fund at International House, 15, Abchurch Lane, London EC4N 3DF.

Agenda: (1) Report and Accounts and proposal for dividend for the year ended 31st March 1987. (2) Election of the members of the Board of Directors. (3) To attend the meeting in person or by proxy and to exercise the voting rights attached to the shares held by the shareholder. (4) To elect a proxy for the shareholder. (5) To elect a proxy for the shareholder. (6) To elect a proxy for the shareholder. (7) To elect a proxy for the shareholder. (8) To elect a proxy for the shareholder. (9) To elect a proxy for the shareholder. (10) To elect a proxy for the shareholder. (11) To elect a proxy for the shareholder. (12) To elect a proxy for the shareholder. (13) To elect a proxy for the shareholder. (14) To elect a proxy for the shareholder. (15) To elect a proxy for the shareholder. (16) To elect a proxy for the shareholder. (17) To elect a proxy for the shareholder. (18) To elect a proxy for the shareholder. (19) To elect a proxy for the shareholder. 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UK COMPANY NEWS

CHI doubles profits to £4.3m after purchases

BY ALICE RAWSTHORN

C. H. Industrials, the industrial holding company, yesterday unveiled doubled pre-tax profits of £4.3m for its last financial year on turnover which rose by 85 per cent to £55.92m reflecting both organic and acquisitive growth.

The specialist engineering and design business fared particularly well during the year to March 28. Turnover soared 40 to £20.3m (£7.29m) and profits trebled to £1.8m (£570,000). Aston Martin Tickford, which manufactures automotive products and became a subsidiary in October, and Tudor Webster, a car sun roof manufacturers were the strongest performers.

The new office products and

shopfitting division—composed of Parnell and Siegal & Stockman both acquired last year—produced profits of £1.35m on turnover of £8.04m. Mr Tim Hearley, chairman, said that CHI intends to invest in these businesses and to add to the division by acquisition.

Chemical and polymer products were the only dull performers with profits of £2.05m (£2.12m) on sales of £26.83m (£22.36m). Demand for both building chemicals and polyurethane foam recovered in the second half, however, and the recovery has continued into this year.

Property and investment contributed profits of £244,000 (£15,000) on turnover of £750,000 (£548,000) and associated companies £213,000 (£329,000). Earnings per share increased to 9.32p (7.52p) and the board proposes a final dividend of 2.225p making 2.8p (2.4p) for the year.

Mr Hearley said he anticipated a "major increase" in turnover with "profits to match" in the present year. The group is now scouting about for acquisitions in complementary areas of activity.

Kleinwort Grieson, the group's stockbroker, forecasts profits of £8.3m and earnings per share of 11.3p for the year. This leaves the shares, which have risen rapidly in the last year or so, fairly valued on a prospective p/e of 19 at yesterday's share price of 212p.

Bluebird Toys in £3.5m acquisition

BY MIKE SMITH

Bluebird Toys, the fast-growing USM-quoted company, is moving into children's games and science kits through the £3.5m acquisition of Peter Pan Playthings from Hanover Acceptances.

The deal, which will be funded by the issue of Bluebird paper, will have an immediately beneficial effect on the company's earnings per share, Mr Torquill Norman, chairman, said yesterday.

Peter Pan's products include the screen game Etch-A-Sketch, Sakers science and electronic hobby sets, and Plasticine. In 1986 it made pre-tax profits of £310,000 on sales of £7.7m and this year Bluebird expects it to produce about £500,000 pre-tax.

Bluebird, maker of Big Yellow Teapot, Mr Chimney Pot and Aerobie, has expanded rapidly through organic growth since it joined the USM 24 years ago and its shares have risen from the flotation price of 90p to last night's 418p, up 20p on the previous close.

In 1986 it made £1.74m pre-tax and analysts expect the enlarged group to make about £2.6m this year.

Bluebird has arranged for the placing of 921,000 shares, representing 18.5 per cent of its existing equity, to pay for the acquisition. Under a clawback facility shareholders will be able to subscribe for about half of these. They will be entitled to one share, costing 380p, for every 12 held.

Stead & Simpson boosted by motor dealerships

An exceptionally good year by Stead & Simpson's motor dealerships helped the company to turn in record results for the year ended March 31, 1987. Pre-tax profits rose nearly 7 per cent to £5.5m against £5.16m, on turnover 10 per cent up at £70.13m compared with £63.74m.

Footwear profits, some 78 per cent of the total, were down by 3.7 per cent to £4.29m due to difficult trading conditions and on the costs side the group suffered some abnormal rent reviews with an overall increase in rentals of £775,000.

In the first 11 weeks of the current year, footwear trading

has increased by 12 per cent while motor dealerships turnover increased by 8.5 per cent. Profits on the motor side broke the £1m barrier at £1.3m for the first time.

Tax charged was down slightly at £1.92m (£2.1m) leaving net profits of £3.58m (£3.06m) added to which were property profits virtually the same at £1.65m (£1.68m). Earnings per ordinary and "A" ordinary share worked through at 8.2p (5.81p).

Dividends on the ordinary and "A" ordinary shares have been increased from 3.55p to 3.9p with a recommended final of 2.7p (2.45p).

Stainless Metalcraft down as turnover rises to £4m

Stainless Metalcraft, maker of stainless aluminium and exotic metals in the nuclear, medical and aerospace industries, reported pre-tax profits down from £445,000 to £414,000 in the six months to February 28 1987. Turnover, however, rose from £2.97m to £4.43m.

Profits were affected by the rescheduling of Oxford Instruments Group of its requirement for Unistat deliveries; by costs associated with the commencement of a £3m nuclear contract; and a slower than anticipated build-up in orders for the new pipework subsidiary.

The directors, however, remained confident that the group would make good progress over the year as a whole. First-half earnings per 25p share were 4.9p (5.8p). The interim dividend is unchanged at 2p and a modest increase in the final is expected.

Marler Estates
Priest Marrian Holdings has purchased another 50,000 shares in Marler Estates bringing its total holding up to 450,000 ordinary (6 per cent of the equity).

Hughes Food exceeds its forecast and calls for £16m

BY STEVEN BUTLER

Hughes Food Group, the fast-growing USM-listed company, yesterday reported earnings per share of 2.6p for the year to the end of March, 87 per cent higher than forecasts made at the time of its July 1986 flotation for a reporting period ending at the end of February. Pre-tax profits were £3.01m, compared with a forecast of £2.00m, on a turnover of £300,000. A dividend of 0.5p was declared for the 18 months to the end of March, reflecting a change in Hughes accounting period.

Hughes also announced the acquisition of Peterhead Ice Company for £2.76m and a rights issue aimed at raising £15.6m. The share issue will pay for the acquisition, wipe out group borrowings, and leave Hughes with cash to pursue

further acquisitions currently under consideration.

Hughes is an integrated food company with interests in food processing, machinery, cold storage and ice, fish processing, and other food processing.

Acquisition of Peterhead Ice is aimed at bringing Hughes into closer contact with the fishing community in Peterhead, the major whitefish port, where Hughes is also building a cold storage facility. Peterhead had a turnover of £300,597 in 1986, with pre-tax profits of £333,231.

Some £13.61m new ordinary shares are to be offered on a one-for-four basis to existing shareholders at 130p. Hughes shares yesterday closed up 5p at 146p, bringing market capitalisation to £78.81m.

Huntingdon in £4.3m purchase

Huntingdon International Holdings, the biological safety testing, engineering consultancy and chemical service company which was introduced to the London stock market in March, announced yesterday that it is to buy Northern Engineering & Testing Inc. for about £4.3m. Huntingdon first revealed that it was in discussions with the Idaho-based company two months ago. Northern Engineer-

ing acts as an engineering consultant in the north-west of America.

The UK company is paying via the issues of 293,092 shares to the vendors. These are being placed by Huntingdon's bankers, Schroder Wagg, at £14.60, netting some £6.8m for the sellers. Yesterday, Huntingdon shares added 50p to 147.5p.

Celestion profits slip back to £769,000

CELESTION INDUSTRIES, a manufacturer and distributor of sound reproduction equipment and clothing, yesterday reported a 28 per cent fall in pre-tax profits from £1.07m to £769,000 in the year ended April 4 1987.

At the half-year stage, the company announced a loss of £25,000 compared with a loss of £140,000 for the corresponding period of the previous year. At that time, the directors said they were on target to exceed the 1985/86 results.

For the full year, profit on sound reproduction equipment was up from £180,000 to £248,000 but the clothing side fell from £794,000 to £521,000.

Total turnover improved from £41.66m to £43.79m. Suspension of pension scheme contributions benefited pre-tax profits to the tune of £198,000 but there was no dividend income from listed investments (£294,000). Tax of £268,000 (£238,000) left earnings per share at 2.3p (2.9p). The dividend is held at 1p.

There was no profit on sale of investments this time (£34,000) but factory closure costs amounted to £38,000.

THE CHILLINGTON CORPORATION PLC

Formed by the merger in March 1986 of Plantation & General Investments with The Anglo-Indonesian Corporation

"The merger has broadened the base of the company, improved the geographical spread, widened the range of commodities produced and not least brought into the group an additional stream of UK earnings. The unique blend of engineering, plantation and overseas trading businesses should put us in a very strong position to face the future."

Michael Nightingale — Chairman

The breakdown of the 1986 turnover of £36.67m and profit before tax of £2.63m was as follows:

Activity	Turnover	Profit
Contractors Tools/DIY	21%	18%
Marine Products	7%	5%
Agricultural Tools	22%	30%
Hot Metals	35%	30%
Other Engineering	6%	2%
Plantations/Commodities	9%	4%
Investment Profits	—	11%

The Company's shares are listed under "Overseas Traders".

Copies of the annual report and accounts may be obtained from The Secretary at 81 Carter Lane, London EC4V 3EP.

MOORGATE MERCANTILE HOLDINGS PLC

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31ST MARCH 1987

Moorgate Mercantile, the specialist finance and insurance group announces record results again

	1987	1986	
	£000	£000	
TURNOVER	35,610	25,824	UP 38%
PRE-TAX PROFIT	1,813	1,039	UP 74%
DEFERRED REVENUE	9,284	6,550	UP 42%
DIVIDENDS per share	2.0p	1.6p	UP 25%
EARNINGS per share	4.54p	2.61p	UP 74%

LIBYAN ARAB FOREIGN BANK

المصرف العربي الليبي الخارجي

Balance Sheet for year ended 31st December 1986

LIABILITIES

BANKING DEPARTMENT

Current Liabilities

Demand deposits

Time deposits

Current taxation

Non-Current Liabilities

Credit accounts

Provisions

Share Capital and Reserves

Share Capital

Legal Reserves

Contingency Reserve

Portfolio Valuation Reserve

Other Reserves

Shareholder's Funds

Shareholder's Dividend

Retained Profit

Total Liabilities of Banking Department

DEVELOPMENT DEPARTMENT

Current Liabilities

Current Taxation

Share Capital and Reserves

Share Capital

Legal Reserve

Portfolio Valuation Reserve

Other Reserves

Shareholder's Funds

Shareholder's Dividend

Retained Profit

Total Liabilities of Development Department

CONTRA ACCOUNTS

TOTAL BALANCE SHEET

Libyan Dinars

1986

1985

290 547 156
488 096 495
12 378 447
791 022 098

71 721 510
2 694 804
74 416 314

45 000 000
16 700 000
10 350 000
25 000 000
2 154 880
4 957 257
2 750 000
49 970

106 962 107
972 400 519

376 027
985 859

15 000 000
11 500 000
15 000 000
41 500 000

41 876 027
1 014 276 546

210 143 898
1 224 420 444

352 071 578
1 236 319 481

ASSETS

BANKING DEPARTMENT

Current Assets

Cash and short term balances with banks

Time deposits with banks

Facilities

Non-Current Assets

Investments, Loans and Securities

Participations (Equities)

Other Current Assets

Fixed Assets

Total Assets of Banking Department

DEVELOPMENT DEPARTMENT

Current Assets

Advances

Non-Current Assets

Participations (Equities)

Other Current Assets

Fixed Assets

Total Assets of Development Department

CONTRA ACCOUNTS

TOTAL BALANCE SHEET

Libyan Dinars

1986

1985

68 096 762
583 800 168
16 800 411
668 697 341

186 783 161
65 123 727
50 754 935
302 661 823

1 041 355
972 400 519

11 803 170
11 803 170

24 818 303
5 254 554
30 072 857

41 876 027
1 014 276 546

210 143 898
1 224 420 444

352 071 578
1 236 319 481

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COMMODITIES AND AGRICULTURE

Zimbabwe tobacco prices down by a third

By Tony Hawkes in Harare

WITH 35 per cent of the 1987 tobacco crop sold, average prices on the Harare auction floors are a third lower than a year ago.

At the annual congress of the Zimbabwe Tobacco Association, which represents the country's 1,400 growers, Mr. Jeremy Webb-Martin, the president, warned that on present trends tobacco farm income could fall by as much as \$260m (US\$36m) this year to below \$230m—a decline of some 17 per cent—a year in which production costs rose by at least 15 per cent.

Mr. Webb-Martin estimates that 200 growers are currently facing losses of between 125 Zimbabwe cents and 200 cents for every kg of leaf sold. Industry officials believe that up to 300 growers could be forced out of tobacco this year unless rescued by the banks. Bank spokesmen have said there can be no "group rescue" of growers but that each individual case will be examined sympathetically on its merits. Low auction floor prices are blamed on the poor quality crop following what has been called Zimbabwe's worst drought for 40 years. International tobacco demand is sluggish at a time when Brazil has produced a larger and better-quality crop and when the US is running down its leaf stockpile, disposing of tobacco at bargain-basement prices.

One tobacco expert here says that because of the drought the proportion of low quality tobacco coming on to the floors has more than doubled from last year.

The volume of leaf being sold this year is estimated at 132m kg, up 16 per cent on last year and the largest crop for 23 years. Buyers say that an additional reason for poor quality is that growers focused on bulk rather than quality and are now paying the price. Tobacco is Zimbabwe's chief export worth \$242m last year and accounting for some 20 per cent of total exports. Lower prices this year will affect exports in the latter half of 1987 and early next year with exports this year being forecast at \$237m.

It is being argued strongly by some growers that a further important reason for the weak auction floor prices is the fact that over the past year the Zimbabwe dollar has remained stable against the US dollar.

Brazil suspends soyabean export registrations

BY ANN CHARTERS IN SAO PAULO

CACEX, Brazil's foreign trade agency, has temporarily suspended export registration for soyabean, oil and meal—much to the dismay of soyabean producers and the industry.

Encouraged by high international prices, export volumes were up dramatically through mid-June causing concern in government circles that short-ages of beans and oil in the domestic market could result.

Industry sources complained that government interference in the marketing of the soyabean complex changes the rules and contradicts government statements that exports are to be encouraged. One producer

stated that it made more sense for the country to export at high prices now and buy later in the year, if necessary, when US soyabean hit the market, and prices are likely to drop.

Through mid-June, exports totalled slightly more than 3m tonnes of beans, 899,000 tonnes of oil and 5.1m tonnes of meal. This year's soyabean harvest was about 17.5m tonnes. Domestic consumption normally accounts for between 12m and 13m tonnes of beans, since soyabean oil is a staple of the Brazilian diet.

With the current price freeze on oil domestically, manufacturers found export markets

more lucrative. Edible oil producers worry that the Government is contemplating an export tax that would in effect discourage sales abroad and guarantee local supplies.

Because soyabean prices followed the international market prices, oil producers purchase beans for crushing at international price levels. If the Government removes the export profit margin, which industries use to compensate for lower margins internally, the sector will be squeezed.

This week, another edible oil company declared pre-bankruptcy proceedings—the second major oil company to take this step in recent months.

Pollution control hits Boliden

BY SARA WEBB, STOCKHOLM CORRESPONDENT

BOLIDEN, the Swedish mining metals and chemicals group, is cutting copper production at its Ronnskär works to comply with government pollution controls. The announcement shows that Sweden, which has hitherto been criticised for sulphur dioxide emissions and acid rain, is prepared to be tough at home.

Boliden was ordered by the Government last December to cut the sulphur dioxide emission at its copper smelting works in Ronnskär by 50 per cent to 5,000 tonnes per year before 1992.

Boliden's Board decided to restructure its operations by closing some of the plants at Ronnskär and cut the workforce by almost 25 per cent, from

1,900 to 1,500, by the autumn of 1989.

The Ronnskär works consist of Sweden's only copper smelting operations. Boliden said that the production of refined copper at Ronnskär will stay at about 95,000 tonnes per year, but that it will stop producing between 10,000 tonnes and 12,000 tonnes per year of unrefined blister copper for sale as this is no longer economically viable.

The group has decided to close its copper TBRC (top blown rotary converter) plant which produces a lot of sulphur dioxide, as well as its lead conversion plant. This will be replaced in the existing lead TBRC plant to give the same output of lead as before—

65,000 tonnes per annum.

Finally, Boliden plans to close one each of the two sulphuric acid and liquid sulphur plants. The group aims to increase its investment in the lead plant by SKr 60m (\$9.4m) and in the copper smelting plant by SKr 30m. And while Boliden at first bitterly contested the order to cut sulphur dioxide emission, it now concedes that the decision has had a positive effect—"we are going to reduce our costs by about SKr 100m a year," said Mr. Bo Ingemarsson, Boliden's finance director.

Redundancy costs are not expected to be high, he says, because most of the job cuts will be through natural and early retirement.

US grain support freeze proposed

BY NANCY DUNNE IN WASHINGTON

THE AGREEMENT between US Senate and House negotiators last week on a 1988 budget may bring to an end the two year slide in US wheat and maize prices precipitated by the 1985 Farm Act.

The budget requires a \$1.25bn cut in spending on agriculture. To save an estimated \$800m of that, Mr. Dan Glickman, a Kansas Democrat and chairman of the House grain sub-committee, has introduced a Bill, with the backing of 15 members of the agriculture committee, which would freeze US loan rates at current levels.

A freeze, he said, will save the Government \$500m in subsidies because the Government pays most farmers the difference between the loan rate and a set target price which is linked to the cost of production.

"The Reagan era in agriculture is coming to a close," Mr. Glickman said. "Any further lowering of the loan rates is unacceptable." By holding the line on loan rates, farm income is bolstered, he said.

Under the 1985 Farm Act, the agriculture secretary was given the authority—but was

not required—to lower loan rates by a set percentage each year in order to make US grain prices competitive. Target prices were to hold steady for two years before declining slightly.

Loan rates establish a price floor for US grains. At one time they established the world price floor, but as world production has expanded and stocks have mounted, competitors have sold under the US price.

The 1987 loan rates are \$2.28 a bushel for wheat and \$1.92 for maize.

LONDON MARKETS

Cocoa prices on the London futures market reached the highest levels for two months yesterday, before easing back in late trading. The September position, which had touched \$1,335 a tonne at one stage, ended the day 111 up on balance at \$1,217.50 a tonne. Dealers said market sentiment was buoyed by concern over dry weather in West African growing areas and was still

reaching constructive levels. The International Cocoa Organisation's recent 75,000 tonnes support purchases. But the market remained very "fragile", they added, and could tumble back if significant fresh producer selling was encouraged by the higher prices. Yesterday the market was pressured at the highs by hedging against new crop sales by Glens and Cargill, but current crop sales by the Ivory Coast. Dealers still needed to buy more cocoa after disposing of stocks to the buffer stock, they pointed out, but industrial off-take remained slow as factories ran down stocks ahead of annual holiday closures.

LINE prices supplied by Amalgamated Metal Trading.

Aluminium prices on the London futures market were 10 up on balance at \$1,555.50 a tonne. The market was buoyed by concern over dry weather in West African growing areas and was still reaching constructive levels. The International Cocoa Organisation's recent 75,000 tonnes support purchases. But the market remained very "fragile", they added, and could tumble back if significant fresh producer selling was encouraged by the higher prices. Yesterday the market was pressured at the highs by hedging against new crop sales by Glens and Cargill, but current crop sales by the Ivory Coast. Dealers still needed to buy more cocoa after disposing of stocks to the buffer stock, they pointed out, but industrial off-take remained slow as factories ran down stocks ahead of annual holiday closures.

LINE prices supplied by Amalgamated Metal Trading.

INDICES

June 25 June 24 Month Year
June 25 24 25 24
Spot 126.85 126.81 -127.82
Fut 124.16 124.21 -113.11
(Base: December 31 1974=100)

MAIN PRICE CHANGES

June 25 + or - Month
1987 - 1986
METALS
Aluminium 1555.50 -10 1565.68
Free Market 1555.50 -10 1565.68
Copper 297.35 -1 297.35
3 months 297.35 -1 297.35
Lead 238.55 -1 238.55
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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound steady

THE DOLLAR was confined to a narrow range in currency markets yesterday. It recovered some of the ground lost on Wednesday as speculators acted on comments by Mr. Satoshi Sumita, Governor of the Bank of Japan, claiming that the dollar was likely to stabilise. This was seen as an attempt to repair the damage made earlier by suggestions that the dollar would not rise because of the size of the US trade deficit.

The absence of any fresh economic data deprived the market of any incentive and some traders suggested that central banks were probably keen to keep the dollar within a set trading range, in line with discussions at the economic summit in Paris and Venice. With the trade deficit limiting the dollar's upward potential and the US authorities emphasising the potential damage of a weaker US unit, some sort of stability appeared to be in the air, although the majority of trading volume, made from taking speculative positions would like to try and encourage greater movement.

The dollar closed at DM 1.8280 from DM 1.8225 and Y145.00 from Y145.00. Elsewhere it finished at Sfr 1.5185 up from Sfr 1.5110 and Pfr 6.10 against Pfr 6.0825. On the Bank of England figures, the dollar's exchange rate index rose from 102.0 to 102.2.

STERLING—Trading range against the dollar in 1987 is 1.4716. May average 1.4668. Exchange rate index 72.2 against 72.3 at the opening and Wednesday's close. The six months ago figure was 69.8.

£ IN NEW YORK

	June 25	Latest	Previous Close
1 month	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
3 months	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
6 months	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	June 25	Latest	Previous
9.30 am	72.3	72.0	72.0
10.00 am	72.3	72.0	72.0
11.00 am	72.3	72.0	72.0
12.00 pm	72.3	72.0	72.0
1.00 pm	72.3	72.0	72.0
2.00 pm	72.3	72.0	72.0
3.00 pm	72.3	72.0	72.0
4.00 pm	72.3	72.0	72.0

CURRENCY RATES

	Bank of England	Special Drawing Rights	European Currency Unit
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270

*CDSOR rate for June 24: 1.71294

CURRENCY MOVEMENTS

	Bank of England	Special Drawing Rights	European Currency Unit
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
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Morgan Guaranty certificate average 1980-1981-1982: 100.00; Bank of England index (base average 1975-1981): 100.00.

OTHER CURRENCIES

	June 25	Latest	Previous
Argentine	2.8160-2.8225	2.8160-2.8225	2.8160-2.8225
Brazil	2.8160-2.8225	2.8160-2.8225	2.8160-2.8225
Canada	1.3111-1.3127	1.3111-1.3127	1.3111-1.3127
France	6.5400-6.5415	6.5400-6.5415	6.5400-6.5415
Germany	2.4800-2.4815	2.4800-2.4815	2.4800-2.4815
Italy	1.3600-1.3615	1.3600-1.3615	1.3600-1.3615
Japan	145.00-145.10	145.00-145.10	145.00-145.10
South Africa	1.3600-1.3615	1.3600-1.3615	1.3600-1.3615
Spain	166.00-166.10	166.00-166.10	166.00-166.10
Sweden	4.6000-4.6015	4.6000-4.6015	4.6000-4.6015
Switzerland	1.4800-1.4815	1.4800-1.4815	1.4800-1.4815
UK	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
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MONEY MARKETS

Little prospect of early rate change

ANOTHER VERY quiet day on the London money market left dealers expecting no change in bank base rates in the near future. The period following the general election has not encouraged any hopes of a cut in rates, with the money market trading in a tight and narrow range.

Interest rates from overnight to six months held a flat yield position at around 8-9 per cent, with only a slight upward in longer term rates of up to one year. Three-month interbank was quoted unchanged at 8-9 per cent.

The Bank of England initially forecast a money market shortage of £100m, but revised this to £250m at noon, and to £200m in the afternoon. Total help on the day was £204m.

Before lunch the authorities bought £162m bills outright, by way of £162m bills in band 1 at 8-9 per cent and £17m bank bills in band 2 at 8-9 per cent.

In the afternoon another £42m bank bills were purchased outright in band 1 at 8-9 per cent.

Sterling remained confined to a narrow range. There were no trade figures published yesterday because of industrial action and there were no other economic figures to influence trading.

The pound recovered much of its price after the recent shake out but dealers were unsure about its position since so much seemed to depend on the performance of the dollar.

The pound's exchange rate index finished at 72.2 from an opening level of 72.3. Wednesday's close of 72.3 against the dollar fell to 72.2 from DM 1.8215 and DM 2.9475 from DM 2.9550. It was firmer against the yen however at Y236 from Y235. Elsewhere it slipped to Sfr 1.5185 up from Sfr 1.5110 and Pfr 6.10 against Pfr 6.0825. On the Bank of England figures, the dollar's exchange rate index rose from 102.0 to 102.2.

D-MARK—Trading range against the dollar in 1987 is 1.4716. May average 1.4668. Exchange rate index 72.2 against 72.3 at the opening and Wednesday's close. The six months ago figure was 69.8.

£ IN NEW YORK

	June 25	Latest	Previous Close
1 month	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
3 months	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
6 months	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	June 25	Latest	Previous
9.30 am	72.3	72.0	72.0
10.00 am	72.3	72.0	72.0
11.00 am	72.3	72.0	72.0
12.00 pm	72.3	72.0	72.0
1.00 pm	72.3	72.0	72.0
2.00 pm	72.3	72.0	72.0
3.00 pm	72.3	72.0	72.0
4.00 pm	72.3	72.0	72.0

CURRENCY RATES

	Bank of England	Special Drawing Rights	European Currency Unit
US dollar	1.6115-1.6125	1.6260-1.6270	1.6260-1.6270
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FINANCIAL FUTURES

Quieter gilt trading

LONG TERM gilt futures finished slightly weaker on the London International Financial Futures Exchange yesterday.

Trading was quiet, but nervous, on suggestions the Government broker will soon tap the market, following the exhaustion on Wednesday of 8 per cent Treasury 200206 stock. Local Treasury initially sold the futures contract and then covered short positions in the afternoon.

Volume was modest at 24,870 lots, with price changes tending to mirror movements in the value sterling.

September delivery gilts opened lower at 124-02 and 124-02.

£ IN NEW YORK

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4.00 pm	72.3	72.0	72.0

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OTHER CURRENCIES

SPONS—\$ (FOREIGN EXCHANGE)					
Spot	1-mth.	3-mth.	6-mth.	12-mth.	
1.6125	1.6100	1.6051	1.5997	1.5896	
INHS—STERLING \$s per £					
	Latest	High	Low	Prev	
Sept.	1.6070	1.6080	1.6030	1.6175	
Dec.	1.6000	1.6000	1.5920	1.6110	
Mar.	1.5940	—	—	1.6080	
LIFFE—STERLING £25,000 \$ per £					
	Close	High	Low	Prev	
Sept.	1.6051	1.6112	1.6067	1.6119	
Dec.	1.6007	—	—	1.6055	
Mar.	1.5958	—	—	1.6020	
Estimated volume 80 (56)					
Previous day's open int 204 (703)					

ET UNIT TRUST INFORMATION SERVICE**AUTHORISED
UNIT TRUSTS**[illegible][illegible]

BASE LENDING RATES

ADN Bank	9	● Charterhouse Bank	9	Nat. Bk. of Kuwait	9
Adnan & Company	9	Chubb NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd.	9
Allied Bank & Co	9	Cyprus Bank	9	Norwich Gcs. Trust	9
Allied Irish Bank	9	Comex Bk. W. East	9	PK Pears. Int. (UK)	10
American Exp. Co.	9	Comptons Credit	9	Principals Trust Ltd	10
Avon Bank	9	Co-operative Bank	9	R. Rashed & Sons	9
Avonbank Assurance	9	Cypriot Popular Bk	9	Rashidye R. Credit	9
ANZ Banking Group	9	Danubio Bank	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Exmar '11 Trst'c plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exterior Trust Ltd	9½	Saith & Watson	9
Banco de Bilbao	9	Financial & Gcs. Sec.	9	Standard Chartered	9
Bank Paribas	9	First Nat. Cos. Corp	10	Trustee Savings Bk	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	10	UFG Mortgage Exp.	9.11.1
Bank Credit & Comm.	9	● Robert Fleming & Co	9	United Bank Ltd	9
Bank of China	9	Robert Fraser & Pcs.	10	Woolwich Bank	9
Bank of India	9	● Grindlays Bank	9½	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp	9

Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Bancwest Tst Ltd	9	● Heritable & Gen. Td.	9		
Banquefirst Trust Ltd	10	● Hill Samuel	9/9	● Members of the Accounting	
Barliffe Bank AG	9	● H. Moore & Co.	9	House Committee	9/7d
Bk of India Gen.	9	● Hongkong & Shanghai	9	deposits 4%. Savings	6.6d/4
● Bank of China	9	● Lloyds Bank	9	policy £2,500+ at 3 months	
Business Maps Ltd	9	● Morgan & Son Ltd	9	policy 7.57%. All call rates	
CL Bank Montreal	9	● Midland Bank	9	£10,000+ remans deposited	
Canada Permanent	9	● Mount Greville	9	3 call deposits £2,000 and over	
Cayser Ltd	9	● Mount Credit Corp. Ltd	9	4.5% gross. 9 Mortgage below rate	
				5 Demand deposit 3.99%	
				Mortgage 11.25%	

125 reasons for contacting



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Tel. No.: **GECOMS G**[illegible]

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FLOR

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LONDON SHARE SERVICE

BRITISH FUNDS BRITISH FUNDS—Contd FOREIGN BONDS & RAILS

1987	Stock	Price	Yield	1987	Stock	Price	Yield	1987	Stock	Price	Yield
High	Low	±	%	High	Low	±	%	High	Low	±	%
"Shorts" (Lives up to Five Years)											
10194	100% Term 12/30/92	101.94	8.81	10194	100% Term 12/30/92	101.94	8.81	45	42	42	5.50
10195	100% Term 12/30/93	101.95	8.81	10195	100% Term 12/30/93	101.95	8.81	46	43	43	5.50
10196	100% Term 12/30/94	101.96	8.81	10196	100% Term 12/30/94	101.96	8.81	47	44	44	5.50
10197	100% Term 12/30/95	101.97	8.81	10197	100% Term 12/30/95	101.97	8.81	48	45	45	5.50
10198	100% Term 12/30/96	101.98	8.81	10198	100% Term 12/30/96	101.98	8.81	49	46	46	5.50
10199	100% Term 12/30/97	101.99	8.81	10199	100% Term 12/30/97	101.99	8.81	50	47	47	5.50
10200	100% Term 12/30/98	102.00	8.81	10200	100% Term 12/30/98	102.00	8.81	51	48	48	5.50
10201	100% Term 12/30/99	102.01	8.81	10201	100% Term 12/30/99	102.01	8.81	52	49	49	5.50
10202	100% Term 12/30/00	102.02	8.81	10202	100% Term 12/30/00	102.02	8.81	53	50	50	5.50
10203	100% Term 12/30/01	102.03	8.81	10203	100% Term 12/30/01	102.03	8.81	54	51	51	5.50
10204	100% Term 12/30/02	102.04	8.81	10204	100% Term 12/30/02	102.04	8.81	55	52	52	5.50
10205	100% Term 12/30/03	102.05	8.81	10205	100% Term 12/30/03	102.05	8.81	56	53	53	5.50
10206	100% Term 12/30/04	102.06	8.81	10206	100% Term 12/30/04	102.06	8.81	57	54	54	5.50
10207	100% Term 12/30/05	102.07	8.81	10207	100% Term 12/30/05	102.07	8.81	58	55	55	5.50
10208	100% Term 12/30/06	102.08	8.81	10208	100% Term 12/30/06	102.08	8.81	59	56	56	5.50
10209	100% Term 12/30/07	102.09	8.81	10209	100% Term 12/30/07	102.09	8.81	60	57	57	5.50
10210	100% Term 12/30/08	102.10	8.81	10210	100% Term 12/30/08	102.10	8.81	61	58	58	5.50
10211	100% Term 12/30/09	102.11	8.81	10211	100% Term 12/30/09	102.11	8.81	62	59	59	5.50
10212	100% Term 12/30/10	102.12	8.81	10212	100% Term 12/30/10	102.12	8.81	63	60	60	5.50
10213	100% Term 12/30/11	102.13	8.81	10213	100% Term 12/30/11	102.13	8.81	64	61	61	5.50
10214	100% Term 12/30/12	102.14	8.81	10214	100% Term 12/30/12	102.14	8.81	65	62	62	5.50
10215	100% Term 12/30/13	102.15	8.81	10215	100% Term 12/30/13	102.15	8.81	66	63	63	5.50
10216	100% Term 12/30/14	102.16	8.81	10216	100% Term 12/30/14	102.16	8.81	67	64	64	5.50
10217	100% Term 12/30/15	102.17	8.81	10217	100% Term 12/30/15	102.17	8.81	68	65	65	5.50
10218	100% Term 12/30/16	102.18	8.81	10218	100% Term 12/30/16	102.18	8.81	69	66	66	5.50
10219	100% Term 12/30/17	102.19	8.81	10219	100% Term 12/30/17	102.19	8.81	70	67	67	5.50
10220	100% Term 12/30/18	102.20	8.81	10220	100% Term 12/30/18	102.20	8.81	71	68	68	5.50
10221	100% Term 12/30/19	102.21	8.81	10221	100% Term 12/30/19	102.21	8.81	72	69	69	5.50
10222	100% Term 12/30/20	102									

BRITISH FUNDS FOREIGN BONDS & RAILS

BRITISH FUNDS						BRITISH FUNDS-Contd						FOREIGN BONDS & RAILS					
1987	Stock	Price	Yield	Int.	Vol.	1987	Stock	Price	Yield	Int.	Vol.	1987	Stock	Price	Yield	Int.	Vol.
"Shorts" (Lives up to Five Years)						Index-Linked						AMERICANS					
1014	100% Treas 12m 1992	101.4	11.85	8.81		1014	100% Treas 12m 1992	101.4	11.85	8.81		1014	100% Treas 12m 1992	101.4	11.85	8.81	
1015	100% Treas 12m 1993	101.5	11.90	8.85		1015	100% Treas 12m 1993	101.5	11.90	8.85		1015	100% Treas 12m 1993	101.5	11.90	8.85	
1016	100% Treas 12m 1994	101.6	11.95	8.90		1016	100% Treas 12m 1994	101.6	11.95	8.90		1016	100% Treas 12m 1994	101.6	11.95	8.90	
1017	100% Treas 12m 1995	101.7	12.00	8.95		1017	100% Treas 12m 1995	101.7	12.00	8.95		1017	100% Treas 12m 1995	101.7	12.00	8.95	
1018	100% Treas 12m 1996	101.8	12.05	9.00		1018	100% Treas 12m 1996	101.8	12.05	9.00		1018	100% Treas 12m 1996	101.8	12.05	9.00	
1019	100% Treas 12m 1997	101.9	12.10	9.05		1019	100% Treas 12m 1997	101.9	12.10	9.05		1019	100% Treas 12m 1997	101.9	12.10	9.05	
1020	100% Treas 12m 1998	102.0	12.15	9.10		1020	100% Treas 12m 1998	102.0	12.15	9.10		1020	100% Treas 12m 1998	102.0	12.15	9.10	
1021	100% Treas 12m 1999	102.1	12.20	9.15		1021	100% Treas 12m 1999	102.1	12.20	9.15		1021	100% Treas 12m 1999	102.1	12.20	9.15	
1022	100% Treas 12m 2000	102.2	12.25	9.20		1022	100% Treas 12m 2000	102.2	12.25	9.20		1022	100% Treas 12m 2000	102.2	12.25	9.20	
1023	100% Treas 12m 2001	102.3	12.30	9.25		1023	100% Treas 12m 2001	102.3	12.30	9.25		1023	100% Treas 12m 2001	102.3	12.30	9.25	
1024	100% Treas 12m 2002	102.4	12.35	9.30		1024	100% Treas 12m 2002	102.4	12.35	9.30		1024	100% Treas 12m 2002	102.4	12.35	9.30	
1025	100% Treas 12m 2003	102.5	12.40	9.35		1025	100% Treas 12m 2003	102.5	12.40	9.35		1025	100% Treas 12m 2003	102.5	12.40	9.35	
1026	100% Treas 12m 2004	102.6	12.45	9.40		1026	100% Treas 12m 2004	102.6	12.45	9.40		1026	100% Treas 12m 2004	102.6	12.45	9.40	
1027	100% Treas 12m 2005	102.7	12.50	9.45		1027	100% Treas 12m 2005	102.7	12.50	9.45		1027	100% Treas 12m 2005	102.7	12.50	9.45	
1028	100% Treas 12m 2006	102.8	12.55	9.50		1028	100% Treas 12m 2006	102.8	12.55	9.50		1028	100% Treas 12m 2006	102.8	12.55	9.50	
1029	100% Treas 12m 2007	102.9	12.60	9.55		1029	100% Treas 12m 2007	102.9	12.60	9.55		1029	100% Treas 12m 2007	102.9	12.60	9.55	
1030	100% Treas 12m 2008	103.0	12.65	9.60		1030	100% Treas 12m 2008	103.0	12.65	9.60		1030	100% Treas 12m 2008	103.0	12.65	9.60	
1031	100% Treas 12m 2009	103.1	12.70	9.65		1031	100% Treas 12m 2009	103.1	12.70	9.65		1031	100% Treas 12m 2009	103.1	12.70	9.65	
1032	100% Treas 12m 2010	103.2	12.75	9.70		1032	100% Treas 12m 2010</										

MINES—Continued**FINANCE LAND—Cont**

	Stock	Price	% of net	Net asset
15	Wth. Brt. Canadian	389	+1	7.4
16	Wth. Scotland Inc 10p.	28	—	—
17	Wth. S. Pac Assets 50p	31	—	—
18	North American	34	+2	—
19	Wth. Am. Southern	29	—	2.
20	Pacific Assets Td 50p.	168	—	0.7
21	Do. Warrants	—	—	—
22	Parsons French Inc. Ts.	88	—	—
23	Personal Assets 32-p.	59	-1/2	0.
24	Wth. W. Europe	21	—	—
25	Precious Metals Td.	236	—	0.6
26	—	—	—	—
27	Racomb	541	+9	11.5
28	Rights & Inc. Can.	116	—	—
29	River More Int'l Corp.	224	—	—
30	Do Inc 50p	106	—	5.6
31	Do Inc 50p	368	—	—
32	Roberts (Br.) Fldt	632	—	47.2

Stock	Price	% Chg	Div Rate	Yr Clos	Vol
Wagen Eng & Meters	57				
WGLK Kalsporie 25c	518			0.125	0.8
WGLK Vested 10c	52	-3			
WGLK Investments 20c	220				
WGLK 50c	55	-4			
WGLK Resources Ltd	508				
Whitman Ocean Res	21				
Whitman Equip 10c	28				
Whitman Gold 20c	26				
Wibac 30c	23				
Wagon Mining 20c	21				
Wagoning Minn	45	-3			
Wahio Mines 10c	100				
Wichitama Man 20c	23			0.5	2.2
Wichitama Gold 50c	43				
Wichitama 10c	45	-1			
Wichitakubara 20c	75	-2			
Wichitama 50c	78				

32	Second Market Inv 50p	288	...	288
34	Securities Trd. Svc.	1201	-1/2	3
36	Shares Inv. 50p	299	-3	14

32	Second Market Inv 50p	288	...	288
34	Securities Trd. Svc.	1201	-1/2	3
36	Shares Inv. 50p	299	-3	14

Wetland 1	100	100	100
Wetland 2	100	100	100
Wetland 3	100	100	100
Wetland 4	100	100	100
Wetland 5	100	100	100
Wetland 6	100	100	100
Wetland 7	100	100	100
Wetland 8	100	100	100
Wetland 9	100	100	100
Wetland 10	100	100	100
Wetland 11	100	100	100
Wetland 12	100	100	100
Wetland 13	100	100	100
Wetland 14	100	100	100
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Wetland 94	100	100	100
Wetland 95	100	100	100
Wetland 96	100	100	100
Wetland 97	100	100	100
Wetland 98	100	100	100
Wetland 99	100	100	100
Wetland 100	100	100	100

0341	Secured Market Inc Ltd	280		ma
0342	Securities Trust Corp	280		ma
0343	Sherrill Inc Ltd	280		ma
0344	Sherrill Inc Ltd	280		ma
0345	Sherrill Inc Ltd	280		ma
0346	Sherrill Inc Ltd	280		ma
0347	Sherrill Inc Ltd	280		ma
0348	Sherrill Inc Ltd	280		ma
0349	Sherrill Inc Ltd	280		ma
0350	Sherrill Inc Ltd	280		ma
0351	Sherrill Inc Ltd	280		ma
0352	Sherrill Inc Ltd	280		ma
0353	Sherrill Inc Ltd	280		ma
0354	Sherrill Inc Ltd	280		ma
0355	Sherrill Inc Ltd	280		ma
0356	Sherrill Inc Ltd	280		ma
0357	Sherrill Inc Ltd	280		ma
0358	Sherrill Inc Ltd	280		ma
0359	Sherrill Inc Ltd	280		ma
0360	Sherrill Inc Ltd	280		ma
0361	Sherrill Inc Ltd	280		ma
0362	Sherrill Inc Ltd	280		ma
0363	Sherrill Inc Ltd	280		ma
0364	Sherrill Inc Ltd	280		ma
0365	Sherrill Inc Ltd	280		ma
0366	Sherrill Inc Ltd	280		ma
0367	Sherrill Inc Ltd	280		ma
0368	Sherrill Inc Ltd	280		ma
0369	Sherrill Inc Ltd	280		ma
0370	Sherrill Inc Ltd	280		ma
0371	Sherrill Inc Ltd	280		ma
0372	Sherrill Inc Ltd	280		ma
0373	Sherrill Inc Ltd	280		ma
0374	Sherrill Inc Ltd	280		ma
0375	Sherrill Inc Ltd	280		ma
0376	Sherrill Inc Ltd	280		ma
0377	Sherrill Inc Ltd	280		ma
0378	Sherrill Inc Ltd	280		ma
0379	Sherrill Inc Ltd	280		ma
0380	Sherrill Inc Ltd	280		ma
0381	Sherrill Inc Ltd	280		ma
0382	Sherrill Inc Ltd	280		ma
0383	Sherrill Inc Ltd	280		ma
0384	Sherrill Inc Ltd	280		ma
0385	Sherrill Inc Ltd	280		ma
0386	Sherrill Inc Ltd	280		ma
0387	Sherrill Inc Ltd	280		ma
0388	Sherrill Inc Ltd	280		ma
0389	Sherrill Inc Ltd	280		ma
0390	Sherrill Inc Ltd	280		ma
0391	Sherrill Inc Ltd	280		ma
0392	Sherrill Inc Ltd	280		ma
0393	Sherrill Inc Ltd	280		ma
0394	Sherrill Inc Ltd	280		ma
0395	Sherrill Inc Ltd	280		ma
0396	Sherrill Inc Ltd	280		ma
0397	Sherrill Inc Ltd	280		ma
0398	Sherrill Inc Ltd	280		ma
0399	Sherrill Inc Ltd	280		ma
0400	Sherrill Inc Ltd	280		ma

Southwestern Pacific	25	+2	3
Southwestern Ry.	180	0	W
Southwestern Homestead Zsc.	1	0	W
Southwestern Exp'n	32	0	W
Utah Steel R.R.	20	0	W
Utah Valley Mining Zsc.	13	0	W
Utah Valley Exp'n	1	0	W
West Coast Zsc.	29	0	W
Western Mining Zsc.	257	+5	MSD 7.4 1.2
Western Creek Zsc.	42	-15	0.12 1A 4
Western Res. W.	71	0	W

Tins			
General Electric SMI	160	0	5800 0.7
Avco	44	0	W
Corning Portland MS 50	44	0	W
Corning Zsc.	44	-5	50 2.8
Lincoln	70	0	MSD 2.6
Manitowoc Mfg. Inc.	70	0	MSD 2.6
Manitowoc Zsc.	70	0	MSD 2.6
General Elec SMI	100	+10	W
Tappan	100	0	W

[illegible]

Miscellaneous			
Anglo-Dominion	116		
McClary Res Com.	58	+5	
Cons. March 10c	245	+20	060c 4.4
McClary Int. 10.00	280		
Greenwich Res	285		
Hemlo Gold Mines	131 1/2	+2	
Whymore Res	128	+2	
Alvendale Res	127		020c
Whitby Int. Res Ltd.	137	+2	
Whitake Explorations	128	+2	
White Salmon Res C33	79		
Northern	153	+14	
West-Quebec Resources	484	-2	23 1/2 2.7
RTZ	510 1/2	-3	
Dr. Page's 75-2000	520 1/2	-3	09 1/2 37.51

Stocks		Prices	% Chg	Met
31	A.C. Holdings 50	612	+1.8	
32	Adco Inv. 50	125	0	
33	Adco Inv. 50	125	0	
34	Adco Inv. 50	125	0	
35	Adco Inv. 50	125	0	
36	Adco Inv. 50	125	0	
37	Adco Inv. 50	125	0	
38	Adco Inv. 50	125	0	
39	Adco Inv. 50	125	0	
40	Adco Inv. 50	125	0	
41	Adco Inv. 50	125	0	
42	Adco Inv. 50	125	0	
43	Adco Inv. 50	125	0	
44	Adco Inv. 50	125	0	
45	Adco Inv. 50	125	0	
46	Adco Inv. 50	125	0	
47	Adco Inv. 50	125	0	
48	Adco Inv. 50	125	0	
49	Adco Inv. 50	125	0	
50	Adco Inv. 50	125	0	
51	Adco Inv. 50	125	0	
52	Adco Inv. 50	125	0	
53	Adco Inv. 50	125	0	
54	Adco Inv. 50	125	0	
55	Adco Inv. 50	125	0	
56	Adco Inv. 50	125	0	
57	Adco Inv. 50	125	0	
58	Adco Inv. 50	125	0	
59	Adco Inv. 50	125	0	
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61	Adco Inv. 50	125	0	
62	Adco Inv. 50	125	0	
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83	Adco Inv. 50	125	0	
84	Adco Inv. 50	125	0	
85	Adco Inv. 50	125	0	
86	Adco Inv. 50	125	0	
87	Adco Inv. 50	125	0	
88	Adco Inv. 50	125	0	
89	Adco Inv. 50	125	0	
90	Adco Inv. 50	125	0	
91	Adco Inv. 50	125	0	
92	Adco Inv. 50	125	0	
93	Adco Inv. 50	125	0	
94	Adco Inv. 50	125	0	
95	Adco Inv. 50	125	0	
96	Adco Inv. 50	125	0	
97	Adco Inv. 50	125	0	
98	Adco Inv. 50	125	0	
99	Adco Inv. 50	125	0	
100	Adco Inv. 50	125	0	

Stock	Price	Net	Gr's
Albion Group 10s	445	3.9	27 1/2
Albion Am Pol 10s	35		
Allied Int. Bank	127	1.35	25 40
Armstrong Pet. A	11		
Catalyst Comm. 5s	69		
Chesapeake 5s	175	0.4	0.6
Continental 10s	96		
Crown Crystall 5s	183		
Economic Investment	220		
Expansion Oil 10s	25		
Gen. War	2		
Publicating Mfgs 5s	76	2.0	0.5
Time Holdings	99	1.0	0.5
Total Group	1989	14.25	23

44	Brizant. Affon	1.90	+2-2	3.0	2
47	Da. 9pcy 95-2000	1.200	-2	Q9%	-
85	Bra & Coma. 10p	46.9	+1	6.0	2

	Dec. 7/96 Co. Sp.	12/56/96 Co. Sp.	12/7/96 Co. Sp.
12	Centennial Vent. Co. Sp.	279	1
13	Candover Inc.	325	+18
14	Chesapeake Energy Corp.	325	0
15	Wichita River Assoc.	325	0
16	Close Bros.	325	+23
17	WComp. Fin. Svcs. Sp.	378	1
18	Duncan (W & C) E.I.	422	1
19	Indefinite Pm Jns Sp.	543	0
20	East Lamb. 260 Sp.	76	0
21	Interstate C.R. 10sp.	722	+1
22	Interstate C.R. 10sp.	722	+1
23	Frankington Gas	618.0	1
24	Front Group	221	1
25	G.T. Management Inc.	280.0	+8
26	N. Y. Comm. Ind. 30.10	690.0	1
27	Harvey & T. 21sp.	618.0	+3
28	Harvey & T. 21sp.	618.0	+3
29	Wichita River Assoc.	625.0	1
30	Wichita River Assoc.	625.0	1

prices indicated, prices and net dividends are in percentages and are 25p. Estimated price/earnings ratios and covered annual reports and accounts and, where possible, half-yearly figures. P/E's are calculated on "best" distribution price per share being computed on profit after taxation (excluding minority interests); treated figures indicate the difference if calculated on "all" distribution. Covered means "majority" distribution; this compares gross dividend cash payments with the total dividend payable. Where the latter is quoted, excluding fractional amounts/roundings but including minority interests. Yields are based on middle market value of ACT of 27 per cent and after value of debt and rights.

Stocks:

has been marked thus when adjusted to allow for tax cash.

since increased or resumed.

since reduced, passed or deferred.

due to non-response in application.

or report, available.

		2003	1-9	5.08	
97	Waring Group	2803	9	11.5	2
98	Wm. Fink & Inv. Co.	94	1	11.5	2
99	Windsor City Hedge	200	1	11.5	2
00	Windsor Capital	200	1	11.5	2
01	Windsor Capital	200	1	11.5	2
02	Windsor Capital	200	1	11.5	2
03	Windsor Capital	200	1	11.5	2
04	Windsor Capital	200	1	11.5	2
05	Windsor Capital	200	1	11.5	2
06	Windsor Capital	200	1	11.5	2
07	Windsor Capital	200	1	11.5	2
08	Windsor Capital	200	1	11.5	2
09	Windsor Capital	200	1	11.5	2
10	Windsor Capital	200	1	11.5	2
11	Windsor Capital	200	1	11.5	2
12	Windsor Capital	200	1	11.5	2
13	Windsor Capital	200	1	11.5	2
14	Windsor Capital	200	1	11.5	2
15	Windsor Capital	200	1	11.5	2
16	Windsor Capital	200	1	11.5	2
17	Windsor Capital	200	1	11.5	2
18	Windsor Capital	200	1	11.5	2
19	Windsor Capital	200	1	11.5	2
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21	Windsor Capital	200	1	11.5	2
22	Windsor Capital	200	1	11.5	2
23	Windsor Capital	200	1	11.5	2
24	Windsor Capital	200	1	11.5	2
25	Windsor Capital	200	1	11.5	2
26	Windsor Capital	200	1	11.5	2
27	Windsor Capital	200	1	11.5	2
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29	Windsor Capital	200	1	11.5	2
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32	Windsor Capital	200	1	11.5	2
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36	Windsor Capital	200	1	11.5	2
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39	Windsor Capital	200	1	11.5	2
40	Windsor Capital	200	1	11.5	2
41	Windsor Capital	200	1	11.5	2
42	Windsor Capital	200	1	11.5	2
43	Windsor Capital	200	1	11.5	2
44	Windsor Capital	200	1	11.5	2
45	Windsor Capital	200	1	11.5	2
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52	Windsor Capital	200	1	11.5	2
53	Windsor Capital	200	1	11.5	2
54	Windsor Capital	200	1	11.5	2
55	Windsor Capital	200	1	11.5	2
56	Windsor Capital	200	1	11.5	2
57	Windsor Capital	200	1	11.5	2
58	Windsor Capital	200	1	11.5	2
59	Windsor Capital	200	1	11.5	2
60	Windsor Capital	200	1	11.5	2
61	Windsor Capital	200	1	11.5	2
62	Windsor Capital	200	1	11.5	2
63	Windsor Capital	200	1	11.5	2
64	Windsor Capital	200	1	11.5	2
65	Windsor Capital	200	1	11.5	2
66	Windsor Capital	200	1	11.5	2
67	Windsor Capital	200	1	11.5	2
68	Windsor Capital	200	1	11.5	2
69	Windsor Capital	200	1	11.5	2
70	Windsor Capital	200	1	11.5	2
71	Windsor Capital	200	1	11.5	2
72	Windsor Capital	200	1	11.5	2
73	Windsor Capital	200	1	11.5	2
74	Windsor Capital	200	1	11.5	2
75	Windsor Capital	200	1	11.5	2

initially U.S. listed; dealings permitted under Rule 2355A
not listed on stock exchange and company not subject
to U.S. securities laws. Not listed securities.
under Rule 2353A.
at time of suspension,
and dividend after sending script and/or rights letter
to previous dividend for record.
to be reorganization in progress.
impracticable.
increased: reduced first and reduced earnings indic
is dividend; cover on earnings updated by latest in
allows for conversion of shares not now ranking for dividend
only may be restricted dividend.
Does not allow for shares which may also rank for dividend
value. Not P/E ratio actually provided.
on Frances. Fr. French Shares. 66 Yield based on assumed
Rate stays unchanged until maturity of Stock. A Annual
dividend rate paid or payable on part of capital, cover
value.

109	Dist Home Loans 75p	168		11.37%	L
109	DuPont Co. La 2005 -	E163 ²	-2	Q8%	
11	Stewart & Co 5 cts	398			

60	Quasam	78	1.1	3.3
61	Pearson 10p	91	60.9	1
62	Parish Sp.	890	-5	1.2
63	Perpetual	228	5	1.2
64	Pine Hill Hds.	42		
65	Do. Warrants	42		
66	Silverman's 2p.	127	3	0.23
67	Smith New Bank	207	3	0.1
68	Smith 100s	207	3	0.1
69	South. Sav. Bk.	225	+3	0.2
70	Transcont. Serv. SCo.	342	-4	0.57
71	Do. Warrants	128	-7	
72	Do. Warrants	128	-7	
73	Union Hds.	305	+9	0.4
74	Warr. Indus. Inc.	25		
75	Westport Hb.	97	+1	1.6
76	Westport Hb.	97	+1	1.6
77	Wheeler Int. Sp.	44	+1	
78	Wyatt Trust 10p	325	+11	0.1
79	Yale Cattle 10p	154		

[illegible]

	Stock	Price	%	Div	Yr
21	Mideastone Pet. NL	54	+	1.00	22
22	Marathon	54	+	1.00	22
23	Marathon	54	+	1.00	22
24	Marathon	54	+	1.00	22
25	Marathon	54	+	1.00	22
26	Marathon	54	+	1.00	22
27	Marathon	54	+	1.00	22
28	Marathon	54	+	1.00	22
29	Marathon	54	+	1.00	22
30	Marathon	54	+	1.00	22
31	Marathon	54	+	1.00	22
32	Marathon	54	+	1.00	22
33	Marathon	54	+	1.00	22
34	Marathon	54	+	1.00	22
35	Marathon	54	+	1.00	22
36	Marathon	54	+	1.00	22
37	Marathon	54	+	1.00	22
38	Marathon	54	+	1.00	22
39	Marathon	54	+	1.00	22
40	Marathon	54	+	1.00	22
41	Marathon	54	+	1.00	22
42	Marathon	54	+	1.00	22
43	Marathon	54	+	1.00	22
44	Marathon	54	+	1.00	22
45	Marathon	54	+	1.00	22
46	Marathon	54	+	1.00	22
47	Marathon	54	+	1.00	22
48	Marathon	54	+	1.00	22
49	Marathon	54	+	1.00	22
50	Marathon	54	+	1.00	22
51	Marathon	54	+	1.00	22
52	Marathon	54	+	1.00	22
53	Marathon	54	+	1.00	22
54	Marathon	54	+	1.00	22
55	Marathon	54	+	1.00	22
56	Marathon	54	+	1.00	22
57	Marathon	54	+	1.00	22
58	Marathon	54	+	1.00	22
59	Marathon	54	+	1.00	22
60	Marathon	54	+	1.00	22
61	Marathon	54	+	1.00	22
62	Marathon	54	+	1.00	22
63	Marathon	54	+	1.00	22
64	Marathon	54	+	1.00	22
65	Marathon	54	+	1.00	22
66	Marathon	54	+	1.00	22
67	Marathon	54	+	1.00	22
68	Marathon	54	+	1.00	22
69	Marathon	54	+	1.00	22
70	Marathon	54	+	1.00	22
71	Marathon	54	+	1.00	22
72	Marathon	54	+	1.00	22
73	Marathon	54	+	1.00	22
74	Marathon	54	+	1.00	22
75	Marathon	54	+	1.00	22
76	Marathon	54	+	1.00	22
77	Marathon	54	+	1.00	22
78	Marathon	54	+	1.00	22
79	Marathon	54	+	1.00	22
80	Marathon	54	+	1.00	22
81	Marathon	54	+	1.00	22
82	Marathon	54	+	1.00	22
83	Marathon	54	+	1.00	22
84	Marathon	54	+	1.00	22
85	Marathon	54	+	1.00	22
86	Marathon	54	+	1.00	22
87	Marathon	54	+	1.00	22
88	Marathon	54	+	1.00	22
89	Marathon	54	+	1.00	22
90	Marathon	54	+	1.00	22
91	Marathon	54	+	1.00	22
92	Marathon	54	+	1.00	22
93	Marathon	54	+	1.00	22
94	Marathon	54	+	1.00	22
95	Marathon	54	+	1.00	22
96	Marathon	54	+	1.00	22
97	Marathon	54	+	1.00	22
98	Marathon	54	+	1.00	22
99	Marathon	54	+	1.00	22
100	Marathon	54	+	1.00	22

REGIONAL & IRISH STOCKS				
ing is a selection of Regional and Irish stocks, the latter				
suggested in Irish currency.				
Op	85		Fa. 12th 97/02	6120
Op	137 1/2		Amps	335
Op	105	+2	CPI Index	57
Op	978		Carroll Inc.	348
	120		Debris Co.	18
			Hall (R. & H.)	126
			Meritor Inds.	39
			Irish Brews.	375
			Unidare	376

8239	1200
969	530 1/2

| TRADITIONAL OPTIONS | |

10	California DM on C	228	1	2
11	Carla Grano 500	123	1	123
12	Chadwick 10p	233	-2	231
13	Century 10n	233	+12	15.7
14	Charraral 5n	425	1	426
15	Charraral 5n	425	1	426
16	Charraral 5n	425	1	426
17	Charraral 5n	425	1	426
18	Charraral 5n	425	1	426
19	Charraral 5n	425	1	426
20	Charraral 5n	425	1	426
21	Charraral 5n	425	1	426
22	Charraral 5n	425	1	426
23	Charraral 5n	425	1	426
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27	Charraral 5n	425	1	426
28	Charraral 5n	425	1	426
29	Charraral 5n	425	1	426
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42	Charraral 5n	425	1	426
43	Charraral 5n	425	1	426
44	Charraral 5n	425	1	426
45	Charraral 5n	425	1	426
46	Charraral 5n	425	1	426
47	Charraral 5n	425	1	426
48	Charraral 5n	425	1	426
49	Charraral 5n	425	1	426
50	Charraral 5n	425	1	426

3-month call rates	
NEI	.....
Nat West Bk	.....
P & O Dtd	.....
Penny	.....
Polly Pack	.....
Rascal Elec	.....
RHM	.....
Rank Org Ord	.....
Rend Intl	.....
STC	.....
Sears	.....
TI	.....
TGB	.....
Tesco	.....
Thorn EMI	.....
Trust Houses	.....
Turner Newall	.....
Unilever	.....
Vickers	.....

54	Dr. C. L. Linscott \$0.	55	1	
57	Ernst	56	2	03.66
45	Palcon Res. 10p	58	3	
39	2.50	59	4	
40	First Nat 10p	60	5	
19	First Nat. Per. 10	61	6	
39	44 10p 10p	62	7	
41	Per. & Ins. 25	63	8	
42	Per. & Ins. 25	64	9	
43	Per. & Ins. 25	65	10	
63	Great Western Real	66	11	12.0
19	Great Western Real	67	12	
31	Great Western Real	68	13	
37	Great Western Real	69	14	
37	Great Western Real	70	15	
37	Great Western Real	71	16	
37	Great Western Real	72	17	
37	Great Western Real	73	18	
37	Great Western Real	74	19	
37	Great Western Real	75	20	
37	Great Western Real	76	21	
37	Great Western Real	77	22	
37	Great Western Real	78	23	
37	Great Western Real	79	24	
37	Great Western Real	80	25	
37	Great Western Real	81	26	
37	Great Western Real	82	27	
37	Great Western Real	83	28	
37	Great Western Real	84	29	
37	Great Western Real	85	30	
37	Great Western Real	86	31	
37	Great Western Real	87	32	
37	Great Western Real	88	33	
37	Great Western Real	89	34	
37	Great Western Real	90	35	
37	Great Western Real	91	36	
37	Great Western Real	92	37	
37	Great Western Real	93	38	
37	Great Western Real	94	39	
37	Great Western Real	95	40	
37	Great Western Real	96	41	
37	Great Western Real	97	42	
37	Great Western Real	98	43	
37	Great Western Real	99	44	
37	Great Western Real	100	45	

30	Wellcome
95	Property
24	Brit Land
208	Land Securities
55	MEPC
175	Pochey
90	Gills
30	Brit Petroleum
50	Britoil
125	Burmah Oil
52	Charterhall
40	Premier
32	Shell
50	Tricentral
60	Uthmaniyah
62	Mines
22	Cons Gold
55	Lehring
30	Bin Zien
90	Gold

10	RECA Drilling 1p	21	4+2	21	4
20	Hydromechanics Cal Expts	36			
5	APL Forward (Gr A3)	7			

selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Equities rally from early falls as Government bonds await new official tap stock

Account Dealing Dates
Option
First Declared Last Account
Declarations Dealings Day

Jun 1 Jun 11 Jun 22 Jun 26
Jun 25 Jun 25 Jun 26 Jun 26
Jun 29 Jun 29 Jun 30 Jun 30

Next time deals may take place
from 9.00 am to 10.00 am

The recovery in the UK securities markets was held in check yesterday by an uninspiring performance by the pound, and a 2200m addition by Argyl Group to the list of rights issues now hanging over equities. The sting was taken out of the equity sector by an earlier trend in gilts, which expected a new tap issue within the coming week. Interest in blue chip stocks was again very selective, with good results from BT, TSB (see Savings Bank) and BPS failing to inspire their respective shares, but several other well-known names finding the buyers.

At the close, the FT-SE 100 index was a net 6.5 down at 2,777.2, having rallied from a 19-point fall at mid-session. The FT Ordinary share index lost 0.9 to 1,725.3.

Equities opened easier, and were underpinned by the trading statement from Argyl Group. The rights issue was unexpected, but the major cause for the market's unhappiness was the method of accounting for the Safe-way developments, which unsettled some other retail store issues.

The rest of the equity market soon rallied however, helped by gains in pharmaceutical and insurance.

Glaxo came in for renewed buying as a major UK house in London followed the Nomura lead in recommending the stock as a cheap buy after its recent fall.

Also firmer on the pharmaceuticals pitch was Wellcome, as London analysts took a favourable view of a presentation delivered at the Beckenham Research and Development Centre.

Suggestions that the OPEC meeting, which opened yesterday, was finding it hard to find agreement on pricing policies led to a leading oil stocks easier at the close, despite the firm start on Wall Street.

Industrial equities looked patchy, with Imperial Chemical Industries leading the way, but attracting US buyers once again.

Unlevered most of an early gain after announcing the date for its long publicised share split.

The Government bond sector remained in good form, despite a general withdrawal of institutional interest following the exhaustion of the official tap stock on the previous day. Traders believe that the authorities may hold over the new tap stock until next week, leaving prices to find their own level for a while.

The long end of the bond market was sold off as the pound softened yesterday, and by the close, falls had been trimmed to a net 1/4 on the session.

Argyl Group, the food retailer headed by Jimmy Gulliver and Alistair Grant, led equities on a

downward path, closing 45 lower at 435p as the group unveiled a surprise 200m rights issue — the second cash call of the year — along with preliminary figures described by Wood Mackenzie as "slightly disappointing".

The major clearing banks traded quietly and displayed small irregular movements. Barclays were supported early on and rose 13 to 585p, while NatWest firmed 13 to 725p. Lloyds, on the other hand, slipped 2 to 585p, while Midland were unaltered at 615p. TSB touched 56p following the interim figures, but eased back to close 1/2 cheaper on balance at 529p.

Composite Insurances were a shade firmer in places, but most of the business related to inter-market-maker trades. Royals had an initial run in the "expected" range back to close just 5 dearer on balance at 483p. In the Life sector, renewed overseas buying lifted Prudential 4 to 101p. Lloyds brokers continued to feature, with a 500p rise before ease on speculation about a possible bid from Willis Faber.

TV and video retailers Colson staged a highly successful debut in the Unlisted Securities market, the shares closing at 181p having touched 165p at one stage; this compares with a placing price of 150p.

Leading Building issues made an irregular showing. Blue Circle were boosted by traded option activity and rose 10 to 495p, but BPS Industries came on offer following the annual results which were deemed disappointing and dipped 24 to 810p. Marley, helped by a broker's circular, firmed 9 1/2 to 181p; analysts are due to visit the company's Thermite operations today.

Among the second-liners, Turpin gained 2 to 37p and James Latham rose 9 1/2 to 560p, both in restricted markets, the former on reports of a series of company presentations and the latter in response to the annual results and proposed 100 per cent scrip issue. Speculative buying lifted Newman-Tanks 15 to 209p and Stanley Miller 12 to 163p.

In the Chemical sector, BTP rebounded to the increased annual profits and confident statement with a rise of 9 1/2 to 212p. Foseco gained 8 to 27p on revived takeover hopes. Leigh Interests firmed 4 1/2 to 169p in the wake of results.

The announcement from Argyl also spread a certain level of disquiet among leading high street Stores. Burton, 14 down at 311p, and Woolworth, 22 lower at 400p suffered more than most. Harris Queensway closed 11 cheaper at

FINANCIAL TIMES STOCK INDICES											
	June 25	June 24	June 23	June 22	June 21	Year	1987	Since Completion		1987	
								High	Low	High	Low
Government Secs	90.51	91.07	90.55	90.59	91.16	90.84	93.32	84.49	127.4	49.28	127.4
Fixed Interest	97.59	98.07	97.91	98.03	98.50	96.92	99.12	90.23	105.4	30.53	105.4
Ordinary	1772.5	1773.4	1751.6	1737.0	1758.3	1333.1	1801.7	1320.2	1801.7	49.4	1801.7
Ord. Min.	375.9	373.6	364.1	376.7	390.1	202.1	485.0	288.2	734.7	43.5	734.7
Ord. Div. Yield	3.22	3.23	3.26	3.29	3.26	4.08	3.22	3.23	3.24	3.24	3.24
Earnings Yield (%)	7.74	7.78	7.87	7.93	7.86	9.79	7.74	7.78	7.79	7.79	7.79
P/E Ratio (wtd)	15.85	15.83	15.64	15.53	15.67	12.43	15.85	15.83	15.64	15.53	15.67
SEAO Bargins (5m)	42.59	40.02	41.96	45.30	43.50	—	—	—	—	—	—
Equity Turnover (%)	—	1644.23	1589.42	1631.42	1523.58	634.86	—	—	—	—	—
Equity Bargins (%)	—	45.394	54.238	51.893	53.267	23.219	—	—	—	—	—
Shares Traded (m)	—	593.0	598.9	619.3	628.7	270.4	—	—	—	—	—
Opening	1776.7	1777.0	1771.9	1768.1	1770.5	1770.2	1770.2	1770.2	1770.2	1770.2	1770.2
Day's High	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0
Day's Low	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7
SE Activity	1974	1974	1974	1974	1974	1974	1974	1974	1974	1974	1974
Day's High	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0
Day's Low	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7
SE Activity	1974	1974	1974	1974	1974	1974	1974	1974	1974	1974	1974
Day's High	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0	1779.0
Day's Low	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7	1776.7
SE Activity	1974	1974	1974	1974	1974	1974	1974	1974	1974	1974	1974

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8025

238p as brokers Wood Mackenzie reiterated its "sell" advice. In contrast, second-line issues displayed some sharp gains. Lanes rose 11 to 79p following the appointment of Chimu Gidoomal and Andrew Greystone to the board; the move is "expected to herald a more aggressive acquisition programme". Bremner, on the other hand eased 2 to 108p following details of the purchase of Carwell, the Glasgow-based stockbroker, while occasional speculative attention was directed towards A. Goldberg, 11 up at 205p. Perhaps the session's brightest feature, however, was provided by Wellcome's bid for the USM-owned certain retailer, which advanced 11 to 188p after revealing a bumper set of full-year figures. Woolworths have come a long way since last October's offer for the retailer, which was underwritten by the bank and saw the shares begin life at a substantial discount to the offer price of 104p.

Leading Electricals passed a relatively busy trading session, with a notable exception being the group also announced a rights issue and the purchase of Peterhead Ice and County Produce (Frozen Foods). E. J. G. advanced a few pence to 146p following a 15-month figures; the group also announced a rights issue and the purchase of Peterhead Ice and County Produce (Frozen Foods). E. J. G. advanced a few pence to 146p following a 15-month figures; the group also announced a rights issue and the purchase of Peterhead Ice and County Produce (Frozen Foods).

As speculation developed in the interim profits meeting, City expectations. Analysts are clearly looking forward to the second-half and B2W, for one, rate THF as a "long-term buy".

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Adwest, up 11 at 319p, and S. W. Wood, 8 to the good at 124p. Richards (Leicester), still reflecting the change in stakeholding, moved up 15 more to 145p. Habitat Precisions, in which Abbey Life Assurance disclosed a 5.19 per cent holding, improved 6 to 148p. Argyl's statement prompted widespread losses among other food retailers. Although a firmer tone developed during the afternoon, share prices still showed falls into double figures. Worst hit was Dec Corporation, finally 15 off at 228p, while Tesco, 572p, and Kwik Save, 410p, dipped 12 to 8 respectively.

Elsewhere, Hughes Food hardened a few pence to 146p following a 15-month figures; the group also announced a rights issue and the purchase of Peterhead Ice and County Produce (Frozen Foods). E. J. G. advanced a few pence to 146p following a 15-month figures; the group also announced a rights issue and the purchase of Peterhead Ice and County Produce (Frozen Foods).

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the absence of any bid developments. Pilkington shifted back to close 6 cheaper at 94p, but Hanson Trust edged up 2 further to 174p in a volume of 17m shares following the successful 45m share placing.

British Aerospace, unsettled by competition worries, eased 8 to 536p. In contrast, helped by a recent Klenwort Grieson recommendation, were supported and rose 9 to 300p. Profit-taking after the interim results prompted a reaction of 13 to 180p in Barndale, while lower half-year profits left Stainless Metals 9 down at 104p. Bluebird Toys, prompted by news of the acquisition of Peter Pan playthings for £2.5m, advanced 20 to 413p. Pearson, which announced the sale of the freehold of the Bracken House headquarters of the Financial Times for £14.5m, met with a revival of demand and put on 21 to 701p. Some 2.8m shares changed hands. Further consideration of the preliminary figures caused a reaction of 15 to 421p in Charter Consolidated, while the Collection fell 8 to 41p on the lower annual profits. Buying interest revived in Johnson Matthey, up 9 at 380p, while other noteworthy movements included NMC, 19 dearer at 560p, and Wyndham Group, up 18

at 228p. Bright features in the Leisure sector included Zetters, 30 higher at 370p on takeover speculation. Bechtel was in demand at 820p up 12.

Unsettled by the setback in Glaxo, Pharmaceutical shares gave ground. Beecham were particularly vulnerable to selling after the recent show of strength mainly on prospects for the company's drug Enimase and fell away in a volume of 5m shares to close 15 lower at 557p. Falls of around 8 were recorded in Fisons and Wellcome at 384p and 428p respectively, while Boots eased 5 to 322p. Elsewhere, London International closed 2 higher at 332p, after 334p, following the announcement of annual results at the top end of market estimates. Better-than-expected preliminary figures gave a boost to Johnson Matthey, 14 to the good at 377p.

While Sella Group, also on trading news, rose to 308p, Beston Clark featured a gain of 18 at 339p on news that AAF Investment Corporation has increased its holding in the company to just over 21 per cent, but Ricardo, bought recently on takeover hopes, reacted 12 to 158p. British Aerospace remained on offer and gave up 7 more to 536p. Continuing expansion hopes lifted DSC 50 to 425p, while suggestions that the Financial Times Bracken House headquarters has been sold prompted a gain of 10 to 662p in Pearson.

Operators abroad made strong headway amid mounting takeover speculation and closed 11 higher at 143p; market rumours suggested that another hitherto unknown bidder may challenge for the company. Despite the fact that International Leisure already holds a sizeable stake in the company, Development prospects continued to boost Brent Walker 24 to 380p, but recent high-flyer, Martins, Development eased back to close 9 down at 458p. Julian's slipped 3 to 64p following acquisition news. Lucas Industries advanced 1 1/2 to 694p following the sale of its vehicle lighting operations to Fiat. Distributors trended higher, where altered. Further consideration of the first-half figures lifted Lookers 10 to 380p, while takeover speculation continued to surround Frank G. Gates, which rose 12 to 270p.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (227)
AMERICANS (4), CANADIANS (1), BANKS (1), BREWERS (2), CHEMICALS (14), CONSUMER GOODS (1), ELECTRICALS (2), ENGINEERING (2), FOODS (4), HOTELS (2), INDUSTRIALS (45), LEISURE (2), METALS (2), NEWSPAPERS (5), PAPER (1), PROPERTY (20), SHIPPING (3), SHOES (1), TEXTILES (3), TOBACCO (5)

OVERSEAS TRADERS (3), MINES (3), NEW LOWS (9)
AMERICANS (1), BASIN CORP., BANKS (1), CHEMICALS (1), CONSUMER GOODS (1), ELECTRICALS (1), ENGINEERING (1), FOODS (1), HOTELS (1), INDUSTRIALS (1), LEISURE (1), METALS (1), NEWSPAPERS (1), PAPER (1), PROPERTY (1), SHIPPING (1), SHOES (1), TEXTILES (1), TOBACCO (1)

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS					Thursday June 25 1987					Wed June 24	Tues June 23	Mon June 22	Year Open (approx.)	
Figures in parentheses show number of stocks per section														
	Index No.	Day's Change %	Est. Earnings Yield (%)	Gross Div. Yield (%) (ACT vs 24%)	Est. P/E Ratio	Est. Div. Yield 1987 to 1997	Index No.	Index No.	Index No.	Index No.				
1	CAPITAL GOODS (213)	952.34	+0.5	7.20	2.82	17.47	9.84	998.03	999.35	999.46	748.54			
2	Building Materials (29)	1235.03	-0.1	6.89	2.73	18.12	12.92	1236.08	1214.33	1212.74	799.83			
3	Contracting, Construction (33)	2171.82	+0.2	7.93	2.79	19.11	19.05	2178.31	2168.65	2167.97	1227.64			
4	Electricals (13)	2596.17	+0.2	5.57	3.51	24.12	31.63	2598.24	2567.39	2577.77	1099.53			
5	Electronics (39)	2131.47	+0.9	7.22	2.10	18.01	12.62	2111.55	2108.73	2104.73	1728.72			
6	Mechanical Engineering (60)	502.12	-0.2	8.29	3.40	15.22	7.31	502.12	499.27	499.74	416.94			
7	Metals and Metal Forming (7)	502.50	+0.9	7.04	3.02	17.11	5.48	522.99	520.78	524.27	571.03			
8	Motors (15)	355.21	+1.6	8.21	2.95	14.18	3.82	359.61	354.44	354.90	316.43			
9	Other Industrial Materials (21)	1596.59	+0.8	6.38	3.18	18.88	18.77	1594.47	1538.40	1534.67	1322.56			
10	CONSUMER GROUP (185)	1716.25	-0.7	6.04	2.53	21.25	13.05	1726.49	1708.41	1709.53	932.01			
11	Brewers and Distillers (22)	1183.13	-0.5	7.89	2.97	15.93	11.65	1191.74	1172.87	1174.73	975.77			
12	Food Manufacturing (25)	1026.73	-0.6	6.84	2.96	19.02	12.74	1032.75	1022.45	1013.64	686.67			
13	Food Retailing (15)	2479.94	-2.8	5.24	2.32	26.06	21.12	2552.51	2513.56	2474.60	1034.63			
14	Health and Household Goods (10)	2543.04	-0.2	3.97	1.57	29.49	14.62	2591.78	2455.06	2448.24	1588.85			
15	Textiles (16)	1216.60	-0.7	5.82	3.11	22.59	16.11	1249.18	1242.76	1245.81	982.94			
16	Packaging & Paper (15)	699.92	+0.3	5.97	2.46	21.16	7.40	697.49	687.49	687.49	992.42			
17	Publishing & Printing (15)	1026.73	-0.2	5.21	2.81	24.10	54.63	1049.03	1037.47	1037.46	257.32			
18	Stores (16)	1074.27	-2.5	6.71	2.46	20.14	11.73	1181.32	1084.81	1067.46	974.76			
19	Textiles (16)	798.09	-0.3	7.69	2.81	15.94	10.56	804.46	796.79	797.09	552.52			
20	OTHER GROUPS (85)	1121.60	-0.1	7.69	3.13	16.19	9.74	1133.94	1103.95	1088.76	779.99			
21	Agencies (16)	1621.57	+0.6	4.23	1.49	17.19	9.50	1627.49	1608.41	1609.53	0.0			
22	Chemicals (21)	1398.57	-0.8	7.01	3.15	17.51	19.32	1400.08	1392.46	1375.80	987.89			
23	Conglomerates (11)	1422.39	+1.5	6.71	2.46	20.14	11.73	1416.94	1399.45	1395.49	974.76			
24	Shipping and Transport (11)	2245.39	-0.1	6.88	3.55	18.27	37.76	2265.33	2228.78	2227.33	1099.64			
25	Telephone Networks (2)	1145.62	-0.7	8.78	3.53	15.20	1.09	1153.96	1154.70	1157.43	997.75			
26	Miscellaneous (24)	1495.51	-0.1	8.81	2.94	13.59	18.08	1498.36	1495.54	1495.54	1088.85			
27	INDUSTRIAL GROUP (483)	1716.25	-0.2	6.78	2.77	18.64	11.44	1726.49	1708.41	1709.53	958.93			
28	Oil & Gas (17)	2227.92	-0.7	4.91	4.15	26.39	37.29	2243.48	2222.71	2227.51	1228.01			
29	500 SHARE INDEX (508)	1269.43	-0.3	6.50	2.97	19.50	13.70	1273.31	1262.48	1255.35	891.86			
30	FINANCIAL GROUP (118)	808.47	+0.7	-	3.63	-	12.57	802.66	797.33	795.40	607.49			
31	Banks (8)	834.96	+1.1	16.59	4.49	-	7.97	155	126.06	829.48	829.35	637.39		
32	Insurance (Life) (9)	1124.23	+0.9	-	3.69	-	20.71	1131.91	1110.96	1113.81	963.73			
33	Insurance (Compulsory) (7)	602.84	-	-	4.06	-	11.71	601.72	596.63	595.85	487.86			
34	Insurance (Brokers) (7)	1422.39	-0.2	8.60	4.31	14.99	26.4	1422.02	1244.98	1242.45	682.14			
35	Merchant Banks (11)	399.38	-	-	3.36	-	4.41	401.82	391.49	391.49	378.33			
36	Property (46)	1259.14	+1.1	3.47	2.33	35.36	10.62	1245.21	1223.13	1220.22	792.14			
37	Other Financial (28)	527.76	+0.3	6.36	3.04	19.78	5.82	521.01	520.01	518.74	347.14			
38	Overseas Traders (19)	1080.56	+0.1	-	2.21	-	10.58	1079.57	1077.46	1069.44	754.53			
39	Winning Finance (2)	500.33	-0.1	6.46	3.31	19.39	6.79	510.87	497.48	487.23	263.24			
40	Overseas Traders (11)	1080.57	-0.1	8.98	3.36	13.82	26.4	1080.57	1077.46	1077.46	754.53			
41	ALL-SHARE INDEX (724)	1143.83	-0.2	-	3.06	-	13.26	1145.57	1136.17	1127.96	698.50			
42	FT-SE 100 SHARE INDEX *	2277.2	-6.8	2282.9	2284.8	2284.0	2285.5	2284.6	2284.1	2283.2	1697.5			
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WORLD STOCK MARKETS

AUSTRIA				GERMANY				SPAIN				AUSTRALIA (Continued)				JAPAN (Continued)			
June 25	Price	+ -		June 25	Price	+ -		June 25	Price	+ -		June 25	Price	+ -		June 25	Price	+ -	
Österreichische	1910.00	-5		AGF	516.00	+4.5		Banco Bilbao	1371.00	+1.1		News	18.30	-0.2		Nippon Seiko	570	-5	
Gesetz	2665.00	-5		Allycat Vers	1784.00	-1		Banco Central	1025.00	-5		Noranda Pacific	3.25	+0.05		Nippon Shuppan	370	-0	
Österreichische	7800.00	+300		BASF	314.50	-2		Banco Carrión	495.00	-1		Norfolk Hill	0.58	-0.01		Nippon Yusen	237	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco Hispano	509.00	-1		Oldbridge	0.58	-0.01		Nippon Yusen	630	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco Popular	1375.00	-5		Pacific Dunlop	4.45	+0.03		Nippon Yusen	609	+1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
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Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1		Pacific Dunlop	4.45	+0.03		Nippon Yusen	740	-1	
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Landesbank	1790.00	-1		Bayer-Hof	422.00	+8		Banco de Vizcaya	1850.00	-1									

CANADA

Sales	Stock	High	Low	Open	Close	Chng	Sales	Stock	High	Low	Open	Close	Chng	Sales	Stock	High	Low	Open	Close	Chng	Sales	Stock	High	Low	Open	Close	Chng			
TORONTO																														
Closing prices June 25																														
2603 AMCA Int	\$105	105	102				117690 CanWest	\$187	155	152	-	387550 Laidlaw B	\$205	20	20	+	400 Scott Paper	\$195	197	195	+	14000	14000	1400	1400	1400	1400	1400	1400	
14970 Alcan Pac	\$245	245	242				24000 CompuLink	\$75	75	75	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
15000 Alcan Pac	\$245	245	242				1000 CompuLink	305	300	300	-	4340 Light Int	\$25	25	25	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
15000 Alcan Pac	\$245	245	242				1000 CompuLink	305	300	300	-	4340 Light Int	\$25	25	25	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
15000 Alcan Pac	\$245	245	242				1000 CompuLink	305	300	300	-	4340 Light Int	\$25	25	25	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
15000 Alcan Pac	\$245	245	242				1000 CompuLink	305	300	300	-	4340 Light Int	\$25	25	25	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
15000 Alcan Pac	\$245	245	242				1000 CompuLink	305	300	300	-	4340 Light Int	\$25	25	25	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
15000 Alcan Pac	\$245	245	242				1000 CompuLink	305	300	300	-	4340 Light Int	\$25	25	25	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
15000 Alcan Pac	\$245	245	242				1000 CompuLink	305	300	300	-	4340 Light Int	\$25	25	25	+	173500 Laidlaw B	\$205	20	20	+	1980 Scotiabank	\$112	112	112	112	112	112	112	112
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MONTREAL

Bank Morn	\$337 ¹	336 ¹	335 ¹	+ ¹ / ₂
Bombard	\$221 ¹	221 ¹	221 ¹	- ¹ / ₂
BombardR	\$239 ¹	238 ¹	235 ¹	- ¹ / ₂
CBP Pak	\$233 ¹	231 ¹	233 ¹	+2 ¹ / ₂
ComBat	\$121 ¹	119 ¹	12	
ConFast	\$181 ¹	177 ¹	177 ¹	
DonTash	\$20 ¹	20	20	- ¹ / ₂
Environ	\$14	14	14	- ¹ / ₂
NetBk Cde	\$14 ¹	14 ¹	14 ¹	- ¹ / ₂
Noverco	\$12 ¹	12 ¹	12 ¹	
Power Corp	\$18 ¹	18 ¹	18 ¹	+ ¹ / ₂
Pronve	\$112 ¹	111 ¹	111 ¹	- ¹ / ₂
Rollenda	\$32 ¹	32 ¹	32 ¹	- ¹ / ₂
Stro Bank	\$33 ¹	33 ¹	33 ¹	+ ¹ / ₂
SteinbergA	\$37 ¹	36 ¹	37 ¹	+ ¹ / ₂
Video Trn	\$168 ¹	157 ¹	165 ¹	+ ¹ / ₂
S 5,100,531 shares				

Indices

[illegible]**OVER-THE-COUNTER** *Nasdaq national market, closing prices*[illegible][illegible]

	Jan 25	Jan 26	Jan 27	Jan 28	High	Low
Metals & Minis						
Copper	2,771A	2,781B	2,771A	2,819B	2,843C (11/5/05)	1,888B-2 (2/17/06)
Diamond	2,771A	2,822B	2,785B	2,819B	3,331C (5/4/07)	3,857C (2/17/06)
MONTREAL Portfolio	1,885B Jan	1,873B Jan	1,873B Jan	1,835B B (6/4/07)	1,834B (2/17/06)	
SWITZERLAND						
Suisse Bank Corp (CH) 2750A					610J	605 90
					613.30	623.30
					613.30	622.60
						564.5 (2/05)
WORLD						
U.S.Capital Int. (L) 1770J					(a)	469.50
						468.20
						468.30
						460.30 (12/06)
						363.3 (2/01)

* Indicates pre-close figures

NYSE-Consolidated 1500 Actives

	Stocks Traded	%Chg	Change On Day	Stkcs Traded	%Chg	Change On Day
USAR Gr	4,289,400	+4%	+1%	Golden Hill	-12%	-1%
ATI	3,336,000	-23%	-1%	Rothman Cos	+17%	+17%
AT&T	3,175,500	-23%	-1%	AMR	-1%	-1%
Traffic Com	2,189,200	-22%	-5%	Flannery Inc	+4%	+%
Dynegy Inc	2,341,200	-56%	-3%	BGM	+18%	+2%

Base values of all indices are excepted Barclays SE -1,000 JSE Gold -255.7 JSE Industrials -264.3 and Australia All Ordinary and Metals--500; NYSE All Common--500; Standard Poors--10; and Toronto Composite and Metals--1000. Toronto indices based 1975 and Montreal Composite 1980. Excluding metals 4,400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed, (d) Unavailable.

**Saturday Jan 26: JSE market closed.

LONDON - Most Active Stocks

[illegible]

LONDON Chief price c

LONDON (in pence unless otherwise indicated)			
RUSSES:			
BTP	212 + 2	Larica	79 + 11
Bluebird Toys	418 2 + 20	M6 Cash & Co.	143 + 7
Bl. Circle	495 + 10	MEPC	535 + 10
FR Group	440 + 9	Marley	181 + 9 1/2
Glaxo	517 1/4 + 1/2	Newmans-Taks	209 + 15
Greycoat	418 + 8	Pearson	101 + 2 1/2
		Richards (<i>Leica</i>)	145 + 15
		Rothmans	324 + 38
		S. Wrighton	483 + 9
		Turris	374 + 22
		Woolfs. Butware	188 + 11
		Zellers	370 + 30
		FOREIGN:	
		Arg. Group	439 - 45
		BPB Inds.	810 - 24
		Brit. Aerospace	536 - 8
		Britoil	303 1/2 - 8 1/2
		Des. Corp.	226 - 15
		Harr. Quayway	585 - 11
		Read Int.	90 - 6
		Sutherland (E.T.)	400 - 22
		Woolworth	

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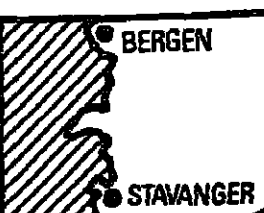
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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]


Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

[illegible]

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER
Nasdaq national market, closing prices



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Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

Steadier dollar spurs upturn in summer rally

WALL STREET

SPURRED by a rebounding dollar and bond market, Wall Street's summer stock market rally revived yesterday in moderately heavy trading, writes Roderick Oram in New York.

The US currency regained its recent vigour following comments from Japanese officials that it had further to rise. Bond prices rose 1/2 a point overnight and maintained the gains in New York.

The Dow Jones industrial average closed up 22.64 points at a record 2,451.05. Buying was concentrated in the large capitalisation blue chips, however, leaving broader market indices short of their records.

The Standard & Poor's 500 index rose 1.11 to 308.96 and the New York and American stock exchange composite indices were up 1.13 to 173.55 and 0.28 to 337.55 and the over-the-counter composite index slipped 0.06 to 427.20.

The narrow focus on blue chips and moderate NYSE volume of 173.9m shares were seen as signs of institutional quarter-end portfolio window dressing. Advancing issues outpaced those declining by a ratio of three-to-two.

Reichhold Chemicals was the most spectacular performer, rising \$18 1/2 to \$60 1/2 on 2.4m shares. It said it was reviewing a takeover offer of \$32 1/2 a share from Dainippon Ink & Chemicals of Japan. Wall Street is expecting Reichhold to try a recapitalisation at around \$60 a share as a defence.

In other takeover related news, Dayton Hudson fell \$1 1/4 to \$49 1/4. The Governor of Minnesota, the retailer's home state, called a special session of the legislature for yesterday afternoon to debate anti-takeover legislation. The company has been the subject of repeated bid speculation.

Burlington Northern jumped \$4 1/2 to \$77 1/4. Mr Irwin Jacobs, the Minnesota-based corporate raider, was reported to have a 3 per cent stake in the railroad.

Gruntal rose \$1 1/2 to \$9 1/4. The regional securities broker agreed to a \$3 1/2 a share offer from Home Group, an insurance holding company, which was unchanged at \$20 1/2.

Chrysler rose \$1 1/2 to \$35 1/2 on more than 1.6m shares. It was indicated on Wednesday for allegedly disconnecting mileometers on cars test-driven by employees but later sold

as new. In contrast, Ford Motor rose \$2 1/2 to \$99 1/2 and General Motors added \$1 1/2 to \$84 1/2.

US Air, up \$1 1/2 to \$47, was the most active NYSE issue with 4.7m shares traded. It issued yesterday 10m shares at \$45 each which expanded its equity by 31 per cent.

The tone of Wall Street's credit markets were set overnight abroad by the performance of the dollar. Comments from Japanese officials that the dollar might rise further helped stop a slide in the currency triggered earlier in the week by Japanese comments to the contrary.

The performance of the US currency over the past few days suggests it has found a floor for now around Y144.50. Dealers generally feel that it will trade stably in the short term in a narrow range above this.

With the dollar gaining Y1.50 from its overnight low in Tokyo, bonds opened in New York about 1/2 a point higher. By late afternoon the 6.75 per cent benchmark Treasury long bond was up 1/2 of a point at 100 1/2 yielding 8.41 per cent. Shorter maturities posted smaller gains while three-month Treasury bills fell pushing up their bond equivalent yields some four basis points to 5.98 per cent.

Dealers were cautious ahead of yesterday's auction of \$7bn of seven-year Treasury's notes, the third leg of this week's \$24.5bn mini-funding. The earlier auctions of two and four year notes had attracted relatively aggressive bids but dealers were left with heavy inventories when sufficient retail buying failed to materialise.

Results of yesterday's auction were largely as expected with an average yield of bids accepted of 8.10 per cent, the highest since 8.85 per cent on January 15, 1986.

CANADA

THE upward trend on Wall Street pushed stock prices higher in Toronto in moderate trading.

Blue chips with US listings performed well. Imasco added C\$1 to C\$35 1/2. Seagram was up C\$1 1/4 to C\$104 1/2 and Bell Canada gained C\$1 to C\$42 1/2.

Banks also fared well, with Royal Bank up C\$1 to C\$33 1/2, Toronto Dominion up C\$1 to C\$32 1/2 and Bank of Montreal up C\$1 to C\$33 1/2. Despite a steady billion price, gold moved downward. Campbell Red Lake lost C\$1 to C\$32 1/2.

SOUTH AFRICA

WITH the bullion price steady, gold share prices eased in quiet Johannesburg trading despite reports of record gold sales for 1986. The Department of Minerals announced gold sales comprised 58.6 per cent of mineral earnings and 68.7 per cent of export revenue last year.

Randfontein gained R7 to R24 1/2

with the majority of other gold shares unchanged. Other miners traded quietly. Val Reef lost R8 to close at R397 and Beatrix slipped 25 cents to R19.

Diamond share De Beers eased 25 cents to end the day at R38.75 after climbing to R39.50. Samancor dropped 35 cents to R7.35.

David Gardner in Mexico City looks at the first share launch since 1981

Mexico sees first issue revival

THE BOOMING Mexico City stock exchange's first new issue of shares in an industrial company since 1981, before the financial collapse of 1982, was launched this week by Intercontinental de Ceramica (Inter-ceramic), the country's leading ceramic tile company.

Inter-ceramic's Pesos 12bn (\$9m) issue is equivalent to 17.7 per cent of its paid in capital.

It is being launched onto a stock market whose 42-spot index had risen from 11,147 in January 1986 to 173,032 by Thursday. This represents a fivefold increase in dollar terms over 18 months.

The company is based in the northern border state of Chihuahua and dominates the ceramic tile business with market share of 38 per cent. It claims to be working at full capacity - against average capacity usage in the Mexican construction industry of only 30 per cent - and export about 10 per cent of its output.

The company reports net profits in the first four months of this year of Pesos 2.5bn on sales of Pesos 7.4bn, against net earnings for the whole of last year of Pesos 932m on Pesos 8.6bn turnover. Most of the new issue is earmarked, the com-

BRAZIL'S Rio de Janeiro and Sao Paulo stock markets closed higher for the fifth session in a row yesterday, writes Ann Chambers in Sao Paulo.

The Bovespa index for Sao Paulo gained 6.4 per cent on Thursday to finish at 11,353. The index has gained 28.7 per cent in the last seven sessions, reflecting renewed investor confidence and bargain hunting of many shares trading well below book value. Volume was Cruzado 1.6bn (\$33m).

The Rio exchange closed up 6.5 per cent on Thursday at 3,998 points on volume of Cru 611m.

My says, to prepay borrowings that financed a \$4.5m expansion of capacity last year.

Market analysts are surprised it has taken this long for a Mexican company to come out with a primary issue, particularly since bank credit has been monopolised by the Government for the past 18 months and interest rates have been at historic highs.

There have been a number of secondary issues, and capital in-

creases. Union Carbide Mexicana on Wednesday launched a Pesos 100bn issue equivalent to 40.7 per cent of its paid in capital, for instance. Last week, Negromex, part of the major Desc holding company and one of the world's largest synthetic rubber producers, launched a successful capital increase.

New issues had, however, been restricted to the brokerage industry issuing its own stock, and to the nationalised banks privatising up to 34 per cent of their capital, though most of the bank stock was pre-placed outside the stock market.

Three major factors have until now inhibited industrial companies from using the notoriously volatile Mexico City bourse to raise capital. Until recent fiscal reforms, tax allowances against debt made credit cheaper than issuing equity.

Until the recent stock market boom most companies' stock was substantially undervalued.

Finally, the Government, as well as monopolising bank credit, has soaked up most capital market liquidity through three-month Treasury bills at over 100 per cent and effectively dollar-indexed Petro-

EUROPE

Strong blue chips prompt Frankfurt, Zurich rallies

BOURSES worst hit by profit-taking on Wednesday staged a recovery, with returning foreign investors concentrating on blue chips. Sporadic profit-taking, however, left smaller bourses mixed to lower.

Frankfurt rallied from Wednesday's largely technical profit-taking to close near the day's highs in busy trade. The mid-session Commerzbank index rose 21.1 to 1,882.5.

Foreign buying lifted blue chips, with electronics issue Siemens DM 8.50 higher at DM 740 and Deutsche Bank up DM 16 at DM 632.50. Carnarke also forged ahead. VVW performed most strongly with a DM 17.50 surge to DM 421.50 on bargain hunting. The stock benefited from the news that auditors had exonerated the group's board from fault in the recent currency scandal. Daimler picked up DM 16 to DM 1113 and BMW rose DM 14 to DM 668.

In chemicals, BASF managed a DM 12 rise to DM 314.50 despite news of a 7 per cent fall in first half earnings. Hoechst gained DM 8.50 to DM 302. Bayer, however, was hit by news of an 8.2 per cent drop in sales for the first five months of this year to fall DM 4.50 to DM 333.

Bonds fell in busy trading but closed off the session's lows. The Bundesbank bought DM 148.1m of paper against sales of DM 228.8m on Wednesday.

Zurich also rebounded broadly from Wednesday's fall, largely on domestic buying but foreign investors remained cautious as the dollar hovered.

Banks fared well. Union Bank of Switzerland bearers recovered by

LONDON

A dull performance by sterling and Argyl Group's \$200m rights issue conspired to weaken London equity prices. Softer glits also undercut the market. Buying of blue chips remained selective.

The FT-SE 100 index closed down 6.5 at 2,277.2 and the FT Ordinary index fell 0.9 to 1,772.5.

Longer maturity government bonds rallied to close a net 1/4 down but off their lows. Details, Page 44.

SFR 50 to SFR 4,740 and Swiss Bank bearers by SFR 4 to SFR 466. Credit Suisse moved on SFR 15 to SFR 3,175 and Bank Leu SFR 5 to SFR 3,225.

In a stronger financial sector, Insu Swiss RS bearers added SFR 100 to SFR 17,100 and Winterthur bearers SFR 75 to SFR 6,025.

Brussels hit a fourth consecutive closing peak as blue chips drew heavy buying. The market index rose 21.03 to 4,765.54.

Holding group Societe Generale de Belgique continued to dominate trading. Its stock, Reserve, added BFR 10 to BFR 3,850 after having made a sudden leap earlier in the week which prompted rumours that it was a takeover target.

Other holdings were weaker, with GBL BFR 50 off at BFR 3,640 and Tractebel BFR 80 down at BFR 7,150.

Amsterdam advanced on late buying amid optimism over the steadier dollar and Wall Street's opening rally.

Royal Dutch was one of few fall-

ers, easing FI 1.50 to FI 263.20. Other internationals followed the stronger market, with Akzo FI 4.40 higher at FI 150.70, Philips 70 cents up at FI 52 and KLM FI 1.50 up at FI 52.50.

Paris dropped as worries over domestic interest rates prompted a profit-taking spree. Electronics issues were among the softest and Legrand lost FFR 80 to FFR 5,200, while Croiset gave up FFR 17.70 to FFR 286.10.

Milan was mixed in dull trade. Blue chips eased slightly. Fiat common by Lira 1.13 to Lira 1,121 and Olivetti by Lira 1.30 to Lira 1,140.

Malcenti led cement higher, however, with a L65 advance to L98.50.

Oso fell broadly on continued profit-taking. Oil issues had recent gains trimmed, with Saga Petroleum NKR 3 off at NKR 100.

Stockholm was steady in the absence of foreign interest.

Madrid edged higher.

High-technologies lead way to extended gains

TOKYO

A RESURGENCE in high-technology issues led Tokyo prices to extend their gains yesterday, writes Shigeo Nishitaki of Jiji Press.

The Nikkei average climbed 138.60 to close at 23,031.33, but volume shrank from Wednesday's 879.96m shares to 854.98m as most institutional investors stayed out of the market. Gainers led losers 543 to 384, with 149 issues unchanged.

Investors remained unsure whether the market would be led by stocks reporting good business performance or those profiting from the yen's appreciation and a fall in interest rates.

Reflecting the yen's rally and the plunge of American depository receipts in New York on Wednesday, high-tech blue chips eased in the morning. Issues benefiting from the Government's domestic demand expansion measures were sought, but buying was in small lots and some stock in this category later sagged under selling.

Among constructions, Kajima gained Y40 in the morning, but closed Y50 cheaper at Y1,700 due to small-lot selling, while Taisei Corp fell Y40 from Wednesday to Y1,070 after rising Y20. Consumption-related Mitsuoka was Y20 down at Y1,820.

Buying of large-capitalization stocks dwindled, and Nippon Steel dipped Y5 to Y317 and Ishikawajima-Harima Heavy Industries Y9 to Y656. Tokyo Electric Power, however, drew bargain-hunters, having fallen nearly 30 per cent from its all-time high of Y3,420 in April. It rallied Y150 to Y8,950.

As buying of domestic demand-related issues diminished, high-tech stocks and chemicals enjoying buoyant business regained popularity. Mitsubishi Electric, which hit a record high on Wednesday, closed at another high of Y650, up Y30, on the heaviest trading of 69.33m shares, after losing Y10 at the opening.

Hitachi, second on the active list with 34.73m shares traded, added Y30 to Y1,230 and Matsushita Electric Industrial also Y30 to Y2,260. NEC rose Y50 to Y2,200.

A pickup in product prices spurred investors to seek selected chemicals, particularly pharmaceuticals.

Securities houses and investors are closely watching 11 investment funds worth Y363bn to be set up to-

day, since Y256.8bn is planned to be invested in stocks and the market trend could be influenced, depending on what issues are purchased.

The bond market turned up slightly after a sustained fall. The 3.1 per cent government bond, due in June 1996, which dealers had bought disregarding yield levels, opened lower with the yield jumping from 3.800 per cent to 3.800 per cent.

Short-sellers and dealers later began purchasing, however, and the yield finished at 3.705 per cent in block trading on the Tokyo Stock Exchange and 3.675 per cent in inter-dealer trading. The yen's rally had no impact.

SOUTH KOREA

THE announcement that talks between South Korea's President Chun Doo Hwan and opposition leader Mr Kim Young Sam had ended in failure sent share prices on the Seoul Stock Exchange spiralling downwards. Pessimism over the prospects of a peaceful political solution in the near future sparked widespread selling.

Volume totalled 25.63m shares on a turnover of 32.6bn won with 311 issues declining and only 45 rising. The composite stock price index lost 7.12 points to close at 380.90.

Industrial shares posted losses across the board. Only petrochemicals, finance and marine transportation managed to hold steady or rise slightly.

Construction and low price trading, which had both been bullish earlier in the week, posted drops.

SINGAPORE

STRONG demand for selected blue chips and banking stocks edged the Straits Times industrial index up 4.24 to close at a new high of 1,256.68 after a day of active trading. Turnover rose to 60.1m units from 58.2m units.

Early firmness, however, eased later in the day on widespread profit-taking. The slower afternoon was also prompted by anticipation of a possible price correction soon.

Subscription to Singapore Airlines' shares were below expectations and shares traded at S\$13.20, down 10 cents.

Among the active stocks was Hong Leong Credit, rising 18 cents to close at S\$4.28 on a turnover of

4.3m units. Leading the gainers was Metro with a 70 cent rise to end the day at S\$11.80.

DBS, ICS, Malayan Tobacco, Transmarco and National Iron also posted good gains on buying interest from local and foreign institutions.

AUSTRALIA

A FIRMER gold price and European interest in Australian mining shares opened the market on a firm footing. Active trading in metals and minerals lifted the sector index 2.5 to 1,007.8.

Slips in prices over the day left share prices little changed at the close of trading.

Turnover rose to 178m shares, up 30m from the previous day.

Trading was heavy in diversified mines group CRA which touched A\$8.90 before slipping later in the day to close at A\$8.50, down 26 cents on Wednesday's close. Western Mining shares were also active, closing 6 cents up at A\$5.76. Most other mining shares firmed.

The gold stocks index was up 39 points at 2,774 with the biggest gain in Kidston Gold Mines, which rose 30 cents to A\$6.30. Placer Pacific rallied 20 cents to A\$3.25.

The All Ordinaries index closed at 1,742.9, 3.3 higher.

HONG KONG

NERVOUS profit-taking in Hong Kong after Wednesday's surge pushed share prices sharply lower. The Hang Seng index fell 42.87 to close at 3,136.31 on turnover of HK\$1,251.1bn from HK\$1,274.4bn the previous day.

Continuing uncertainty over the issue of direct legislative elections, coupled with a more volatile market encouraged defensive buying in stable stocks. Banking issues maintained their steady gains of the last week while property shares, commercial and industrial stocks fell sharply.

Bank stocks posted a group gain with Bank of East Asia rising 10 cents to HK\$24.50 and Hang Seng adding HK\$1 to HK\$9.15, ending its steady climb over the past week.

In the property sector Cheung Kong lost 40 cents to HK\$12.70, Hang Lung Development dropped 60 cents to HK\$14.20 and Hongkong Land lost 20 cents to end at HK\$8.90.

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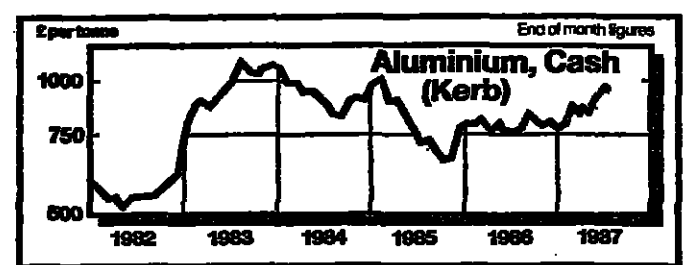
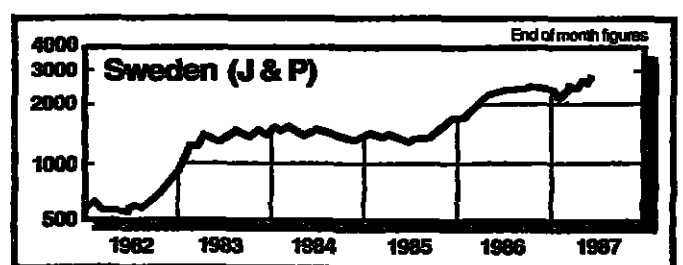
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FTS

KEY MARKET MONITORS



STOCK MARKET INDICES			
	June 25	Prev	Year ago
NEW YORK	2,451.05	2,428.41	1,885.05
DJ Industrials	1,037.18	1,027.20	782.13
DJ Transport	1,037.18	1,027.20	782.13
DJ Utilities	238.41	237.51	193.02
S&P Comp	338.80	335.85	249.52
LONDON FT			
Ord	1,772.5	1,773.4	1,533.1
SE 100	2,277.20	2,284.0	1,829.40
A All-shares	1,143.02	1,145.57	808.50
A 500	1,269.43	1,273.31	891.96
Gold mines	375.9	373.8	202.1
A Long GI	9.33	9.05	8.08
World Act. Ind	131.51	131.64	92.11
(June 24)			
TOKYO			
Nikkei	23,031.33	24,882.75	17,516.8
Tokyo SE	2,134.25	2,117.09	1,353.86
AUSTRALIA			
All Ord.	1,742.9	1,738.5	1,195.7
Mitels & Mins.	1,007.5	1,005.1	599.5
AUSTRIA			
Credit Adion	182.57	183.54	241.17
BELGIAN SE			
	4,785.50	4,764.50	3,676.76
CANADA			
Toronto	4,225.50	4,225.50	3,539.00
Met & Mins.	2,771.8	2,781.1	2,133.0
Composite	3,708.0	3,692.6	3,065.2
Portfolio	1,885.59	1,873.23	1,557.46
DENMARK SE			
	209.36	210.88	217.40
FRANCE			
CAC Gen	397.80	405.0	353.7
Ind. Tendance	98.50	99.00	84.16

CURRENCIES (London)				US BONDS			
US DOLLAR		STERLING		Treasury			
	June 25 Previous		June 25 Previous		June 25		Prev
\$			1.6125 1.6215		Price	Yield	Yield
DM	1.6280 1.6225	2.9475	2.958	7% 1984	99%	7.47	100%
YEN	146.30 145.0	2.26	2.265	7 1984	94%	8.12	94%
FRF	110.0 109.525	6.8525	6.8525	8% 1987 101%		8.26	101%
SPR	1.6185 1.6110	2.4475	2.45	9% 2017 103%		8.40	103%
ITL	2.0335 2.0310	3.26	3.265				
PTA	2.0535 2.0515	2.132	2.135				
GRD	3.22 3.15	61.10	61.10				
CPY	37.90 37.35	81.10	81.10				
BS	1.320 1.3335	2.1435	2.1435				
				Source: Harris Trust Savings Bank			
INTEREST RATES				Treasury Index			
Euro-currency rates		June 25		June 25		June 25	
	3-month offered rate	%	%	Maturity (years)	Return Index	Change	Yield
FRF		4%	4%	1-30	163.17	+0.23	6.58
SPR		3%	3%	1-10	158.68	+0.12	6.66
PTA		4%	4%	1-3	144.03	+0.07	6.37
GRD		3%	3%	3-5	157.57	+0.17	6.71
US		3%	3%	15-30	155.58	+0.59	7.78
OFFICE London Interbank Bidding (continued)				Source: Merrill Lynch			
3-month US\$	7%	7%					
6-month US\$	7%	7%					
US\$ 3-month Euro	6%	6%					
US\$ 6-month Euro	6.80	7.125					
US\$ 3-6 month T-bills	5.625	5.57					
FINANCIAL FUTURES				Corporates			
CHICAGO		June 25		June 25		June 25	
	8% Treasury Bonds (CBT)	Yield	Price		Yield	Price	Yield
9% 30nds of October	92.21	6.40	93.07	AT&T 3% 8/1	9.90		6.3
9% 30nds of January	92.24	6.40	93.07	SCGT 30th Central 10%	Jan 1983		10.2
(Sept)	92-14	92-25	92-07		108.125	10.14	102.75
US 9% Treasury Bonds (TBS)				Philbro 8% 8 April 1990			9.3
9% 30nds of October	92.24	6.40	93.07		102.20	10.20	92.31
9% 30nds of January	92.24	6.40	93.07	TRW 8% March 1990			9.3
Certificates of Deposit (NMR)					97.92	9.15	96.75
5-1m points 100%	93.85	93.90	93.84	Arco 9% March 2016			9.50
6-1m points 100%	93.85	93.90	93.84		103.54	9.50	103.14
1-1m points 100%	93.85	93.90	93.84	General Motors 8% April 2016			9.50
LONDON					98.51	9.50	98.08
Three-month Eurodollar				Citicorp 9% March 2016			9.50
5-1m points of 100%	92.51	92.54	92.57		94.11	10.0	92.35
30-year US Govt	92.61	92.84	92.57	Source: Salomon Brothers			10.20
100,000 \$bills of 100%							
(Sept)	124-02	123-22	123-22				
(Sept)	124-02	123-22	123-22				
				* Latest available figures			